

er cent preferred President

Warning of African Involvement

Carter Cites Notes to Brezhnev

From Wire Dispatches
SPOKANE, Wash., May 7—President Carter has reported that he sent several private warnings to Leonid Brezhnev, Soviet leader, about Soviet and Cuban military involvement in Africa.

He told citizens at a meeting here Friday that his messages said in effect, "Be careful how you use your military strength in Africa if you want to be a friend of the United States and maintain peace."

Mr. Carter said the Soviet Union's main effort in Africa had been the sale of arms, while the United States gave the continent economic aid, friendship and a commitment to human rights.

Mr. Carter also said that he believed that the United States continued to hold the edge over the Soviet Union in Africa. He attributed this, in part, to "an innate racism that exists in the Soviet Union toward black people."

The President praised the Soviet Union, however, for negotiating "in good faith" on the limitation of strategic arms.

Carter Statements Seen as Forceful

By Graham Hovey

WASHINGTON, May 7 (NYT)—High-ranking government officials yesterday characterized President Carter's warning to the Soviet Union and Cuba about military intervention in Africa and his charge against the Russians of "innate racism" toward blacks as his most forceful statements to date on the issue.

"I'm not surprised that he made it because he keeps letting us know of his deep concern," said an African specialist, referring to Mr. Carter's extensive response to a question Friday in Spokane.

The President said he had used the "strongest possible terms" to warn Moscow and Havana that their African interventions would jeopardize relations with the United States and damage East-West

A Correction

The story in the weekend editions of the International Herald Tribune on President Leonid Brezhnev's meeting with Chancellor Helmut Schmidt in Bonn inadvertently stated that the Russians had no intention of bringing the neutron-weapon issue into a current disarmament meeting. It should have said that the Soviet Union has no intention of bringing the weapon into any current forum, but will instead focus on it at the UN disarmament meeting in New York later this month.

detention. He had sent "private, sealed messages" to the Mr. Brezhnev to this effect, Mr. Carter said.

Some administration officials said they were surprised that Mr. Carter had spoken publicly about a subject long discussed privately in diplomatic circles: the allegations of racist behavior by the Russians in their dealings with black Africans, both in Africa and in the Soviet Union.

"Article of Belief"

"It is one of those articles of belief for a lot of us who have watched the Soviets operate in Africa," said one official, "but as far as I can remember this is the first time any high-ranking official of any government has talked about it openly."

Diplomats have often cited racial prejudice as a factor in Soviet setbacks in Africa and there have been instances of public protest by black African students about alleged discrimination in the Soviet Union and other Eastern European countries under Communist rule since the early 1960s.

One U.S. official said, however, that he was not certain black Africans would react favorably to Mr. Carter's charge of racism. "The Africans can still see all the blemishes in our open American society," he said. "They may say, 'You still have too many problems in your own eye for the President to be talking like that.'"

The President's warning that Soviet behavior in Africa would inevitably affect progress toward détente and overall Soviet-U.S. relations again pointed up a continuing

Laker On Way To L.A. Service

LONDON, May 7 (IHT)—Fredrick Laker has crossed the first hurdle in his attempt to expand his Skytrain service to Los Angeles.

Britain's Civil Aviation Authority approved Laker Airways' application to operate a no-frills, walk-on service, identical to the New York operation, on the London to Los Angeles route. The Laker plans now must be approved by the Department of Trade and by U.S. aviation officials.

A one-way flight from London's Gatwick Airport to Los Angeles would cost \$84 from Oct. 1 to June 30, and \$96 from July 1 to Sept. 30. The flight from Los Angeles to London would cost \$220 from Sept. 1 to May 31, and \$248 from June 1 to Aug. 31.

debate within the administration on the so-called "linkage" of international issues.

Mr. Carter said that Secretary of State Cyrus Vance, in Moscow last month, had repeated the President's warning to Soviet leaders about the effect of African interventions on Soviet-U.S. friendship.

Mr. Vance has said emphatically, however, that Soviet actions in Africa should not be allowed to hamper progress toward a new treaty to curb the nuclear weapons race—the so-called SALT-2 agreement.

While agreeing with Mr. Vance that there should be no direct linkage of Africa with arms control, Zbigniew Brzezinski, the President's adviser on national security, has often said that Soviet behavior in Africa could not fail to affect progress on other outstanding issues.

Several officials remarked yesterday that Mr. Carter's language and emphasis in Spokane appeared to be more in line with Mr. Brezhnev's attitude than with that of Mr. Vance.

Officials said they believed Mr. Carter's reference in Spokane to a strong religious commitment in black Africa as a defense against Soviet penetration and a factor favorable to the United States derived in part from his visit last month to Nigeria and Liberia. Both Lt. Gen. Olusegun Obasanjo, Nigeria's head of state, and President William Tolbert Jr. of Liberia are devout practitioners of Mr. Carter's Baptist faith, the officials pointed out. Mr. Tolbert in 1965 became the first black to become president of the Baptist World Alliance.

Tass Disputes President

MOSCOW, May 7 (AP)—Tass yesterday lashed back against President Carter's statement that an "innate racism" against blacks exists in the Soviet Union.

The official Soviet news agency said it found it "at least strange" that Mr. Carter had compared Soviet "racism" with conditions in the United States, where Mr. Carter declared that "we know how to live with white and black people together."

"Of course, J. Carter 'forgot' that equality and respect of one people for another have long ago been secured in the Soviet Union," the Tass report said.

By contrast, it said, such equality and mutual respect "until now has remained an unobtainable dream in the United States for Indians, Negroes, Puerto Ricans, Chicanos and other representatives of national minorities, who are the victims of discrimination in all fields and merciless exploitation."



Mrs. Eleonora Moro leaves church after mass for husband.

Moro Reported to Write Farewell Letter to Wife

(Continued from Page 1)

were on a list of persons sought as sympathizers with the Red Brigades.

Politicians, relatives and police are pinning hopes that Mr. Moro may still be alive on the terrorists' use of the gerund "by executing."

Trial Reset For Accused Snake Biter

MORGANTON, N.C., May 7 (AP)—Naomi Anderson showed up in district court with her pet boa constrictor, Daniel, in a blue pillowcase, but the man accused of biting off the tip of Daniel's tail failed to appear.

Judge Bill Martin ordered 18-year-old Kenneth Spurling arrested and rescheduled his trial for May 19. Mr. Spurling is accused of biting one-half inch off the tail of Daniel, a 48-inch snake.

According to Miss Anderson, she and Daniel were with a friend in a car by Lake James on April 22 when Mr. Spurling walked up, began petting the snake and asked if it would hurt him. He then picked up the snake and took a bite of its tail, she said. She added that she wants to recover the \$25 it cost to have Daniel's tail sewed up.

just stopping short of saying they had already killed the former premier.

The government of Christian Democratic Premier Giulio Andreotti, backed by the Communists, has repeatedly refused to deal with the kidnappers to save the leader of the Christian Democratic party. It turned down a bid by Socialist leader Bettino Craxi to release prison sentences or make treatment in Italy's maximum security jails milder if Mr. Moro were released.

But both Communists and the right-of-center Republicans showed displeasure this weekend with a government agreement to allow Amnesty International, a British-based organization concerned with political prisoners, to inspect Italy's jails.

The Communist newspaper L'Unita said: "This move is strange and unprovoked whether connected with prison conditions or whether it is a move to stay the assassin's hand." The Red Brigades have said that one of their aims is to destroy all Italy's jails and jails, described as "concentration camps."

Tax Issue In Senate

(Continued from Page 1)

Massachusetts Democrat, found him to be "committed" to the Library of Congress study.

But even if a floor fight is avoided, the bill still faces problems of timing.

The three-month fight over the Panama Canal treaties this year, and the year-long fight over the energy bill last year delayed action on a wide variety of legislation and forced the Senate to avoid almost all issues that could be termed controversial. For this reason, any lengthy debate over the tax measure could doom it for the session. It also made virtually impossible any attempt to separate the deferral of the 1976 Tax Act provisions from the Ribicoff proposal.

Strongly Committed

Mr. Kraft and other chamber members found that most of the senators they met with were strongly committed to getting the entire Finance Committee bill passed. In fact, Mr. Kraft said that "every indication I have had during the course of my meetings with members of Congress this week, leads me to believe that it would be the Ribicoff bill—possibly with some modifications but with the basic format intact—or nothing."

But even if the bill gets through the Senate, it must still go to a conference with the House, with the version agreed to by the conferees going back for approval by each house. House Ways and Means Committee Chairman Al Ullman, D-Ore., apparently has dropped his insistence that the House originate its own measure. He has indicated that he would not strip the Ribicoff proposals from the bill but would instead make certain adjustments and modifications and mark the bill up.

However, during this process, the measure could be sidetracked by the unresolved controversy over the sale of military aircraft to Israel, Egypt and Saudi Arabia, or by the energy bill, which is still in conference.

Mr. Kraft, a tax attorney based in Zurich, said that unless some type of bill is enacted very quickly, a course that appears unlikely, many Americans overseas, who must start working on their tax returns within the next week or so to make the June 15 deadline, will be uncertain as to which version of the law they should be filing under.

In talks with Treasury and Internal Revenue Service officials he found that, unlike last year, a blanket extension to July 15 would not be granted. In addition, it was uncertain how the IRS would treat individual requests for an extension. An IRS official advised Americans abroad who are doing their returns now to "file on the basis of the law as it exists" meaning under the provisions of the 1976 Tax Reform Act. If the law is then changed, taxpayers will have to file amended returns to claim their refunds.

Gamassy Says Deal Concluded

Egypt Is Buying Many U.S. Transports

CAIRO, May 7 (AP)—War Minister Mohammed Abdel Ghany Gamassy said yesterday that Egypt has concluded a deal with the United States to purchase a large number of C-130 transport aircraft and plans to replace some of its aging Soviet MiG-21s with the 50 U.S. F-16 fighters.

Gen. Gamassy said, however, that French-supplied Mirage fighter-bombers will remain the backbone of the Egyptian Air Force.

He made the comments during a visit to technical sections of an unidentified air base, where he attended an exercise on overhauling an engine of the French-made jet in a record time, the Middle East News Agency said.

The war minister praised Western aircraft, saying that they were more sophisticated, better equipped and have better facilities than Soviet planes.

Double the Capacity

He said that the C-130 has double the capacity of the Soviet-made Antonov transport plane.

His statements were made as the U.S. Congress was discussing a controversial proposal to sell 60 F-15s to Saudi Arabia, 50 F-16s to Egypt and 15 F-15s and 75 F-16s to Israel.

Egyptian President Anwar Sadat has described the F-16 as a 10th-rate plane, but viewed the proposed deal as significant because it could mark the start of U.S. military aid to Egypt.

The type of the French planes was not mentioned, but Egypt is known to have 45 to 55 Mirage-3s and is expected to get 50 more.

Gen. Gamassy said that Egypt would get the planes either through

direct purchase from France or by manufacturing them in Egypt.

Egypt reportedly has been negotiating with French companies to build Mirages and Alpha Jets, a variety of missiles and modern electronic military equipment.

A protocol was recently signed regulating cooperation between

France and the Arab Organization for Industrialization, which includes Egypt, Saudi Arabia, Qatar and the United Arab Emirates.

Western military analysts still consider the MiG-21 and MiG-23 jets as the backbone of the Egyptian Air Force although Egypt is having difficulties finding spare parts to keep its MiG fleet flying.

Brezhnev, Schmidt Sign 25-Year Economic Pact

(Continued from Page 1)

against West German machinery and steel pipe.

Otto Wolff von Amerongen, head of West Germany's industry and trade associations, discounted the importance of the agreement.

In an interview with a French television network, he said: "It is not an historic accord. It gives German industrialists the chance to plan better and the possibility to accelerate exchanges, but they are problematical between countries with such different economic systems."

The Frankfurt Allgemeine Zeitung, one of the country's most influential newspapers, stressed hollowness of the results of the conversations in a front-page editorial. Against the historical claims, it spoke of "prosaic reality."

"Four weeks ago," the editorial said, "no one even had the idea of a long-term economic accord that, having been rapidly stitched together, is now being portrayed as a miracle."

On the questions of disarmament and better relations, West German government sources avoided any talk of advances in describing the conversations.

They said Mr. Brezhnev showed no readiness to discuss possible negotiations concerning the controversial neutron bomb. They also reported that the Soviet leader, who in large measure read from prepared notes during his conversations with Mr. Schmidt, made no effort to discuss or exploit the recent differences between West Germany and the United States.

Mr. Brezhnev described the conversations with Mr. Schmidt as "necessary, substantive and useful," and the Chancellor characterized the conversations as valuable for détente in Europe and the world.

The overall impression of the talks, however, was that little was accomplished in any concrete way and that Mr. Brezhnev, who denounced the neutron bomb, was intent on projecting an image of the Soviet Union as a force in favor of arms control before the United Nations special session on disarmament later this month.

The joint declaration said:

"Both sides regard it as important that no one should seek military superiority. They proceed from the assumption that approximate equality and parity suffice to insure defense. In their opinion, appropriate measures of disarmament and

arms limitation in the nuclear and conventional fields in accordance with this basic principle would be of great significance.

On the matter of West Berlin, which the West Germans regard as a weather-vane of good or bad East-West relations, the two sides endorsed the Four Power control of the city stemming from the Allied victory in World War II and said it should be "strictly adhered to and fully implemented."

Boy Scouts Cut Age Limit on Handicapped

NORTH BRUNSWICK, N.J., May 7 (AP)—A 23-year-old man will become an Eagle Scout as a result of a Boy Scouts of America decision to eliminate age requirements for the handicapped.

An Eagle Scout pin—that of the highest scout rank—will be forwarded immediately to local scout officials for Gregory Wittne, 33, of Baldwin, N.Y., said Harvey Price, the chief scout executive.

Mr. Wittne is a cerebral palsy victim who qualified for Eagle Scout in part by completing a 10-mile hike on his hands and knees. The hike helped raise a public outcry over Boy Scout policy toward the handicapped.

Effective last Friday, physically handicapped Boy Scouts can be enrolled past their 18th birthdays. Cub Scouts may be enrolled after their 11th birthdays and Explorers may remain in posts beyond their 21st birthdays. There will be no upper limit on age.

The 1.2 million scouts in the Boy Scouts of America include more than 60,000 physically or mentally handicapped persons.

Egyptian Cabinet Shuffled

CAIRO, May 7 (UPI)—The architect of Egypt's economic policy, Abdel Kassisouny, was dropped from Prime Minister Mamdouh Salem's Cabinet in a limited shuffle announced today.

Other key posts did not change, hands but five ministers joined the new lineup for the first time and five others were assigned different portfolios.

By injecting new blood into the administration, Mr. Salem said it will be better qualified to attempt a "basic reform of the Egyptian economy" and "grapple with the people's everyday problems."

Gen. Mohammed Mohammed Abdel-Ghany Gamassy remained as vice-premier and war minister. Mohammed Ibrahim Kamel as foreign minister, and Maj. Gen. Nassef Ismail as interior minister.

The shake-up was ordered by President Anwar Sadat last Tuesday after the Cabinet came under strong criticism in the local press which castigated it for a "lack of team spirit" and compared its members to "various horses pulling a cart in opposite directions."

Mr. Kassisouny, vice-premier for economic affairs, resigned three weeks ago and went to the United States for medical treatment. His stringent economic policies were becoming increasingly unpopular even inside the Cabinet itself.

He reportedly favored a wage freeze, as part of a drive to combat inflation, but was overruled by Mr. Salem, who feared this would add to the discontent.

The shuffle was the second in seven months and the fifth since Mr. Salem, a 60-year-old former police officer, formed his first Cabinet in April, 1975.

The new lineup does not include the post of vice-premier for economic affairs, but Abdel Razzag Abdel Meguid, a top UN official, was appointed as economic planning minister, a post which Mr. Kassisouny previously held as well.

"We hope that we will be able soon to move from the phase of introducing basic solutions to the phase of abundance and affluence," Mr. Salem said.

Mr. Salem outlined two other tasks facing the Cabinet: "Working under President Sadat's leadership to liberate Israel-occupied territory and realize a peace settlement based on justice" and "safeguarding the sound exercise of democracy."

In Tuesday's speech, Mr. Sadat said he wanted "dynamic, not passive ministers," capable of confronting parliamentary and press criticism. The newcomers included: Abdel Razzag Abdel Meguid, minister of economic planning; Ahmed Mamdouh Attaya, minister of justice; Mahmoud Mohammed Dawoud, minister of agriculture; Ahmed Talaat Tewfik, minister of housing; and Nassef Tahoun, minister of supply.

Carter Relates Sadat Switch

SPOKANE, Wash., May 7

(NYT)—President Carter told a citizens' meeting here today that he had made a switch in the Middle East since his first meeting with President Anwar Sadat of Egypt.

He said Friday that he had told Mr. Sadat that "I want you first of all to recognize that Israel has a right to exist" and that he wanted the Egyptians to negotiate directly with the Israelis.

The President said that Mr. Sadat had replied, "Mr. President, that will never happen in my lifetime." Mr. Carter noted, however, that the prophecy had been dispelled by Mr. Sadat's historic visit to Jerusalem.

Kyprianou Sees Bluff by Turkey

ATHENS, May 7 (AP)—Cyprus President Spyros Kyprianou said today, claiming that the Soviet Union were an obvious bluff designed to deceive the U.S. Congress into lifting its arms embargo.

He said in an interview published here yesterday that Turkey needed the West 100 per cent and that it was the United States which could still decisively contribute to solving the Cyprus crisis.

"America can still do a lot," Mr. Kyprianou told the English language Athens Daily Post, adding, "The question of the embargo is very important in this context because if it is lifted then the potential of the United States to play a decisive role is reduced."

Funeral Trick Foiled in Egypt

CAIRO, May 7 (AP)—A baker was arrested for holding a phony funeral in order to smuggle sacks of flour into his shop in Maghaga, north of Cairo, the newspaper Al Akhbar reported yesterday.

The man put three sacks of flour in a coffin and arranged a funeral procession through town with women screaming in grief behind the coffin, the newspaper reported. Police discovered the trick and stopped the procession.

Flour is strictly rationed in Egypt and is not easy to find in large quantities.

WEATHER

ALGAEVE	16	cloudy	MADRID	6	overcast
AMSTERDAM	15	cloudy	MILAN	28	cloudy
ANTWERP	17	clear	MONTREAL	18	cloudy
ATHENS	18	clear	MOSCOW	14	rain
BEIRUT	22	clear	MUNICH	7	rain
BELGRADE	17	overcast	NEW YORK	24	cloudy
BERLIN	22	overcast	NICE	15	cloudy
BRUSSELS	18	cloudy	OSLO	15	overcast
BUCHAREST	22	overcast	PARIS	15	overcast
BUDAPEST	14	rain	PRAGUE	15	cloudy
CARABLANCA	17	clear	ROME	15	cloudy
COPENHAGEN	14	clear	SOFIA	11	overcast
COSTA DEL SOL	15	cloudy	STOCKHOLM	10	clear
DUBLIN	11	overcast	TAVRIA	10	cloudy
EDINBURGH	11	overcast	TEL AVIV	27	overcast
FLORENCE	15	overcast	TURIN	22	overcast
FRANKFURT	11	rain	VIENNA	15	rain
GENEVA	11	cloudy	WARSAW	15	rain
HELSINKI	10	clear	WASHINGTON	18	cloudy
ISTANBUL	24	clear	ZURICH	14	rain
LAS PALMAS	19	clear			
LONDON	16	cloudy			
LOS ANGELES	16	clear			

(Yesterday's readings U.S. and Canada at 1700 GMT; elsewhere at 1200 GMT.)

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ees 'Major Obstacle'

Carter Assails the AMA As Block to Health Care

By Martin Tolchin

SPOKANE, Wash., May 7 (NYT)—President Carter has attacked organized medicine as the "major obstacle" to better health care in the United States.

"I know that doctors care very seriously about their patients, but when doctors organize into the American Medical Association, their interest is in protecting the interests of patients but of doctors," the President told 1,700 persons at a "town meeting" here Friday.

Spaniard Given Death Sentence By Algerians

MEDEA, Algeria, May 7 (AP)—Algeria's state security court today sentenced to death a 32-year-old Spaniard convicted of the attempted April 5 assassination of Antonio Cubillo, leader of the Algerian-backed Movement for the Self-Determination and Independence of the Canary Archipelago.

Juan Antonio Alfonso Gonzales said during the two-day trial that he was sent to Algeria by a Spanish anarchist movement known as the Revolutionary Patriotic anti-Fascist Front (FRAP) to kill Mr. Cubillo, whom he described as an agent of the CIA.

The prosecution denounced Gonzales's confession and charged that he was ordered to kill Mr. Cubillo by Spanish military intelligence services.

Gonzales confessed that he ambushed the 48-year-old Mr. Cubillo in the lobby of his Algiers apartment building and stabbed him repeatedly in the spine and abdomen. Mr. Cubillo is still on the critical list in an Algiers hospital and doctors say he may be permanently paralyzed in his lower limbs.

Jose Luis Cortes y Rodriguez, 22, who confessed he acted as lookout man for Gonzales, was sentenced to 20 years in prison.

Soviet Officers Foil Hijacking Attempt

MOSCOW, May 7 (AP)—An armed man attempted to flee the country by hijacking a Soviet passenger plane on a local flight from Ashkhabad, the capital of Soviet Turkmenistan, but was killed by security officers, Tass reported yesterday.

The Soviet news agency identified the hijacker only as the "armed criminal Skubenko."

"They have been the major obstacle to progress in our country in having a better health care system in years gone by," he added.

The attack was made a day after a similar assault on the legal profession and was delivered in the President's new, forceful style.

Tumultuous Welcome

The meeting followed a tumultuous welcome from a crowd of 20,000. The meeting highlighted a three-day Western swing that bore many of the earmarks of a presidential campaign.

John White, chairman of the Democratic National Committee, said in an interview Friday: "I feel in him a sense of energy and excitement that I hadn't felt before. I thought he hit a home run in Los Angeles yesterday, and he did it again today with the bases loaded."

At the meeting, Mr. Carter said that the major goal of his administration was to rekindle a sense of idealism in the American people. "I would like to go out of office with a resurgence of idealism in our country," he told the audience, which had been selected by a lottery conducted by the League of Women Voters.

Mr. Carter also announced that a White House conference on small business would be held in the next 12 months to deal with problems such as taxes and regulations.

Markets Sought For U.S. Goods

WASHINGTON, May 7 (UPI)—Agriculture Secretary Bob Bergland departed today for the Soviet Union, Britain, Norway and a number of Eastern bloc nations on a mission to sell U.S. farm products.

Mr. Bergland's first stop will be Moscow, where he will discuss trade relations with the ministers of agriculture, foreign trade and procurement. The visit also will include the two-yearly conference on the Soviet-U.S. grain trade.

Mr. Bergland has told reporters that in Moscow he will discuss whether the United States will offer the Soviet officials credit arrangements for grain purchases.

Sudan Chief Visits Iraq

BAGHDAD, May 7 (AP)—Sudanese President Gaafar Numeiri arrived in Iraq today on a Middle Eastern tour aimed at mending the Arab rift over Egypt's peace initiative with Israel.



PEDDLING GOODWILL—President Carter's mother, Lillian, mounts an exercise in a Copenhagen home for elderly to push international cooperation. It was an exchange visit arranged by Friendship Force, a Georgia organization sponsored by Mr. Carter when he was governor.

Whereabouts Still Unknown

Vesco Bid to Quit Costa Rica Reported

SAN JOSE, Costa Rica, May 7 (AP)—A San Jose television station said yesterday that fugitive American financier Robert Vesco has written President-elect Rodrigo Carazo offering to move from Costa Rica if the government decides he is not wanted.

The station said the letter was dated May 6 and was signed by Mr. Vesco. In it, the writer denied any involvement in an alleged \$224-million fraud from the Geneva-based Investors Overseas Services mutual fund which he once headed. It asked the government to study his case carefully.

Mr. Vesco has refused to return to the United States for questioning by the U.S. Securities and Exchange Commission about the alleged fraud.

A charge brought by a Costa Rican alleging he was cheated of \$134,000 by Mr. Vesco was dismissed by a judge last month, but the government appealed, creating another obstacle in his effort to gain Costa Rican citizenship.

'Clear Conscience'

In the letter, the writer denied wrongdoing and added: "I never committed the famous \$224 million fraud nor any other fraud amounting to a single penny. I ran giant

businesses with a clear conscience, with legal counsel from the United States and Europe of high reputation. I never knowingly violated a single law."

Mr. Vesco, 43, also is wanted in the United States for an illegal contribution to former President Richard Nixon's campaign in 1972. He came to Costa Rica that year and later renounced his American citizenship. The U.S. Justice Department has been unsuccessful in several attempts to extradite him.

The letter did not disclose Mr. Vesco's whereabouts. Costa Rican immigration officials said he flew to Panama last Sunday in a chartered plane and that he planned to visit the Bahamas and Venezuela on business before returning to Costa Rica. He left Costa Rica on a 75-day travel permit after posting \$34,000 bond in the fraud case.

Panamanian and Venezuelan authorities said Mr. Vesco did not enter those countries and Costa Rican

authorities said he is now in the Bahamas.

Mr. Carazo, who takes office tomorrow, has said he will eject Mr. Vesco from Costa Rica, and last week he testified against granting him citizenship. The national legislature also went on record opposing his citizenship.

The letter to Mr. Carazo said: "It is said that meetings have been held between high members of your future government to plan my expulsion from Costa Rica without true legal process."

"Even though the idea seems unlikely, given the political passions that have evolved against me, I would like to communicate to you and to the nation my personal anxiety in the matter."

The writer asked for time to "finish pending legal affairs so as not to be denied the opportunity to defend myself before Costa Rican courts."

Hungarian in Rome

ROME, May 7 (AP)—Hungarian Vice-Foreign Minister Janos Nagy arrived in Rome from Zurich today for two days of talks with Italian Foreign Minister Arnaldo Forlani and other government officials.

Shah Visit Announced

TEHRAN, May 7 (AP)—The Shah of Iran and Empress Farah will visit Hungary and Bulgaria on Friday, a court communique said yesterday.

HEW to Begin Special Review

Boom in U.S. Beauty Schools Linked to Federal Aid

By Walter Pincus

WILKES-BARRE, Pa., May 7 (WP)—In this city's classified directory, an advertisement for the Empire Beauty School contains the unusual bold-face notation: "Government Grants Available."

In fact, Empire promises prospective students with the urge to be beauticians that "We will assist you in securing federal grants, financial aids and loans."

Federal money has been a major ingredient in the recent prosperity of the 22-year-old Pennsylvania beauty-school chain which has headquarters in Pottsville.

In 1972, Congress passed the billion-dollar Basic Educational Opportunity Grant program which made federal funds available for the needy to attend privately owned trade schools, such as Empire.

Retrenchment

Until then, Empire had been retooling, and its student rolls shrinking. In 1974, when the 17-school chain became eligible for the basic grant program, it had 846 students and tuition was \$1,020. That first year it received \$170,000, ac-

cording to federal records, enough to cover 181 students.

By last year, Empire was authorized almost \$1 million in federal funds to cover about 900 students. Records of the Department of Health, Education and Welfare indicate that attendance was up to 1,700 and tuition was \$1,300.

In a booklet designed for prospective students, Empire says that each federal aid program is different. "The school makes an evaluation of the individual, privately and impartially."

"You don't have to be poor to get financial aid" is a key statement, the book tells its students, referring to federal programs.

"Family income," according to the booklet, should be "middle to upper-middle income or less" to be eligible for grants. But it adds, "Students from families with higher income should speak with the financial aid officer at the school."

"Many of our schools would not be in existence today without grants," Empire's administrative manager George Schupp said. He claimed that "the education we give is superior to that which [public] vocational schools give."

The growth of Empire illustrates a national beautician school boom. The 1972 law "opened the floodgates," said Mark Lomery, of the Cosmetology Accrediting Commission.

"Growth since then has been phenomenal," Mr. Lomery said. His organization, whose accreditation makes a school eligible for federal funds, has grown from 200 schools in 1972 to 1,069 this year.

Of 76,531 students enrolled in accredited beauty schools in 1976, according to Mr. Lomery, 40,000 were receiving federal grants or loans.

With 20,000 students attending nonaccredited cosmetology schools, the output of trained beauticians appears to be far outn-

Execution Delay For Alabamian

MONTGOMERY, Ala., May 7 (AP)—Convicted murderer Johnny Harris cannot be executed when his 60-day stay of execution expires Tuesday, the clerk of the State Supreme Court said.

J.O. Seneff said Friday that the court must set a new execution date for Harris before he can be put to death for the slaying of a prison guard during a 1974 riot.

The Harris case has gained the attention of Soviet journalists, who have portrayed the black inmate as a human rights fighter, who has been persecuted by the state.

ning demand, according to Labor Department figures.

The federally financed beautician boom has not gone unnoticed in Washington.

HEW's deputy commissioner of education for student financial assistance, Leo Kornfeld, said recently that the federal programs were "oriented to provide access or choice" to needy students for future employment.

But, Mr. Kornfeld said, some proprietary schools have told prospective students, "Come to school, it will cost you nothing [because of federal funds] and then they paint a beautiful picture for tomorrow."

In addition, according to a report by HEW's Office of the Inspector General, there has been fraud, abuse and waste, particularly among cosmetology schools.

HEW is about to begin a special review of the way beauty schools have handled federal funds. It is part of a broader review of the more than \$15 billion poured into student aid in public and private institutions of higher education in the last five years.

The 1972 law was intended to help the poor get jobs, said William Gnuif, assistant general counsel of the House Education and Labor

Strike Persists On Costa del Sol

MALAGA, Spain, May 7 (AP)—An estimated 50,000 hotel and restaurant employees on the Costa del Sol continued a strike started yesterday for higher wages, leaving thousands of foreign and Spanish tourists without hotel services, including meals.

Leftist-dominated labor unions, which are negotiating for an increase of 8,000 pesetas (\$100) a month for the strikers, said if their demands were not met the strike will be repeated again next weekend.

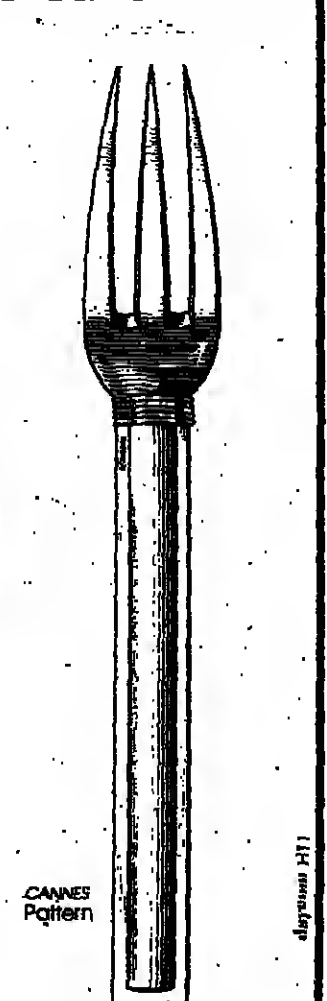
Labor sources said that more than 3,000 hotels in the heart of this tourist belt from Malaga to Cadiz west of Gibraltar were affected by the striking workers.

Greek Road Deaths Most in W. Europe

ATHENS, May 7 (AP)—Greece has proportionately nearly twice as many deaths through traffic accidents as any other Western European country, the Greek insurance company union announced yesterday.

Belgium is second, West Germany and France are third; Britain has the lowest proportionate number of road fatalities, the announcement added.

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IT'S A CROC—But whether it's male or female we'll leave to experts. In any case, the Indian gharial crocodile emerging from its four-inch shell at Sakotis Gorge, India, is the offspring of a U.N. program to re-establish the endangered species. Seventy-one baby crocs have been released so far.

Cigars, Pipes Now; Cigarettes Later

U.S. Said Planning Flight Smoking Ban

By Tom Redburn

LOS ANGELES, May 7 (AP)—The Civil Aeronautics Board will issue a final order soon banning the smoking of cigars and pipes on U.S. commercial airlines, according to informed sources.

In addition, the sources said Friday, the board will move toward eventually eliminating cigarette smoking on airlines as well.

The ban on pipe and cigar smoking would take effect within 60 days after the order is issued.

Vietnam Is Restoring Dien Bien Phu Site

BANGKOK, May 7 (AP)—Vietnam is restoring the battlefield of Dien Bien Phu, where 24 years ago French forces overcame a

The Vietnam news agency said today that plans were under way to restore battlefield relics, build a victory monument, a museum, a tourist hotel and an airfield.

FBI May Have Renamed Its Informants

By Bob Warden

CHICAGO, May 7 (UPI)—Festivity by a high-ranking FBI official in a civil suit here indicates that the bureau may have many more persons providing information to it on suspected U.S. dissidents than William Webster, the new FBI director, asserted last week.

Associate FBI director James Adams testified in a sworn deposition before the U.S. District Court here in March that parts of the bureau's domestic security intelligence operation were renamed more than a year ago, although their basic function of furnishing information on U.S. citizens was not changed.

Declaring that "We are out of the business of investigating organizations simply because they say things that are unpopular in this country," Mr. Webster said Wednesday in a speech before the American Newspaper Publishers Association in Atlanta, that the FBI now has only 42 "domestic security informants." That is fewer than 8 per cent of the 535 who, according to a recently released sworn FBI statement, were working in 1976.

Nationwide Network

However, Mr. Adams acknowledged at the March Chicago hearing that the FBI still has a nationwide network of persons who never were classified as "informants" but

who provide domestic security information to the bureau. As recently as 1975, there were more than 1,300 such persons and Mr. Adams said that the number still might be that high but "it doesn't appear to be."

These persons formerly were designated as "confidential sources," but now have no formal designation, according to Mr. Adams. In FBI jargon, an "informant" is someone who takes an active role in gathering information, such as infiltrating an organization, while a "confidential source" was someone such as a college official or bank employee who merely passes along information gathered in the course of his regular business.

Mr. Adams also said at the Chicago hearing that it is "possible" that one-fourth or more of the 535 informants active two years ago are still reporting to the FBI but are no longer classified as working in the domestic security area. These informants, he said, are assigned to such organizations as the U.S. Communist party and have been reclassified as "foreign counterintelligence assets."

Rare Occurrence

Other informants may have been similarly reclassified, Mr. Adams said, but it would have been a "rare occurrence."

In April, 1976, the attorney general's office tightened restrictions on FBI domestic security investigations in the face of accusations that the FBI had conducted widespread illegal wiretaps and burglaries against suspected U.S. dissidents.

However, guidelines on investigations against those suspected of participating in foreign intelligence cases, if they exist, are classified. Also classified are the number of agents and informants engaged in foreign counterintelligence operations.

In the Atlanta speech, Mr. Webster said that there are 1,789 informants reporting on general crime activities and 1,060 reporting on organized crime, in addition to the 42 domestic security informants.

Mr. Webster mentioned neither

the current activities of persons formerly classified as confidential sources nor the extent of operations reclassified from domestic security to foreign counterintelligence.

An FBI spokesman said last week that a comparison of Mr. Webster's numbers with those of Mr. Adams was invalid because the reclassification had so complicated the figures that an analysis of them was "like comparing apples and oranges."

Saudi Leader Sees Rise Soon In Dollar Value

BEIRUT, May 7 (AP)—Crown Prince Fahd of Saudi Arabia predicted that the value of the U.S. dollar will begin to rise next month and reaffirmed his country's opposition to increasing the price of oil.

Beirut newspaper reported yesterday.

In an interview with Al Bayraq, the Crown Prince said that advocating an increase in oil prices when the dollar is falling is not a solution. Should the dollar deteriorate to the lowest level, it means the entire world economy would deteriorate, too, he said.

The interview with the newspaper's publisher, Milhem Karam, coincided with the opening of a conference in Taif, Saudi Arabia, of oil ministers of the Organization of Petroleum Exporting Countries to consider the price issue.

His remarks in support of the dollar and in favor of holding down prices also comes as the U.S. Congress debates President Carter's controversial proposal to sell Saudi Arabia 60 advanced F-15 jet fighters, along with the sale of planes to Egypt and Israel.

Crown Prince Fahd based his optimistic forecast for the dollar on measures he said were being taken by West Germany, Japan, Switzerland and the United States, which he said was now selling large quantities of gold in the market.

U.S. Senate Report Finds Failure in Army System

WASHINGTON, May 7 (UPI)—

The Senate Armed Services Committee, concerned by the all-volunteer army's failure to attract enough recruits, has told the Pentagon to begin studying other ways to do the job, Sen. Sam Nunn, D-Ga., said today.

Attitude rates have risen sharply, the committee report said, and reserve force levels are dangerously below emergency requirements. Even an immediate resumption of the draft system would take precious months to build up troop strength, it said.

"Given the strain necessary to attract the current numbers of recruits and the larger incremental costs of increasing force levels," the report said, "it should be clear that the all-volunteer force is a peacetime concept that is not now providing sufficient numbers of reserve personnel and would be hard pressed to provide additional numbers of active recruits should the national security require an expansion of current active force levels."

Sen. Nunn, chairman of the manpower and personnel subcommittee, said today.

Carlists March To 'Holy Mount' Without a Ban

PAMPLONA, Spain, May 7 (UPI)—Spain's Carlists — a leftist monarchist movement — today held their traditional pilgrimage to their "holy mountain," commemorating the day in full freedom for the first time since the 1936-1938 civil war.

Police said no incidents were reported as the pilgrims, many of them wearing red berets and carrying the white Carlist flag and red, white and green Basque flags, climbed Montserrat mountain to hear mass, remember their dead and listen to speeches.

Prince Carlos Hugo de Borbon, who was allowed to return from exile last year, led the procession. In previous years, he flew over Montserrat in a small plane as his followers held the pilgrimage despite the ban, often harassed by police and riotous.

The Carlists split from the mainstream Borbon dynasty in the 19th Century. They sided with Franco in the civil war, but turned against him when he picked Juan Carlos as the heir to the throne.

Under the influence of Carlos Hugo and other leaders, they have increasingly turned to the left. But Carlos Hugo recently dropped his pretension to the throne and was received by King Juan Carlos. The two are distant cousins.

tee, said that 40 per cent of the enlisted personnel — 240,000 in fiscal 1977 — were unable to complete their first term of military service.

Below Emergency Needs

The Individual Ready Reserve is 400,000 below emergency personnel requirements and the selected reserve is 47,000 below authorized strength.

"For our reserves, the all-volunteer force is a dismal failure," Sen. Nunn said in a speech prepared for the Georgia National Guard Association on Jekyll Island, Ga.

In Washington, Sen. Nunn released part of the committee's report that was added to the defense authorization bill.

"The committee continues to be concerned over the ability of the active military to attract sufficient numbers of high quality recruits... the reserve forces are encountering even greater problems... there are critical shortages of doctors and other skilled personnel in both active and reserve components," the committee said.

Even a revival of the draft machinery that was all but dismantled by the Ford administration would be slow, the committee added.

"The current inactive Selective Service System could only begin to provide draftees in limited numbers for initial assignment to units seven months after mobilization — a period so long as to raise serious questions about our capabilities for an intense war without warning."

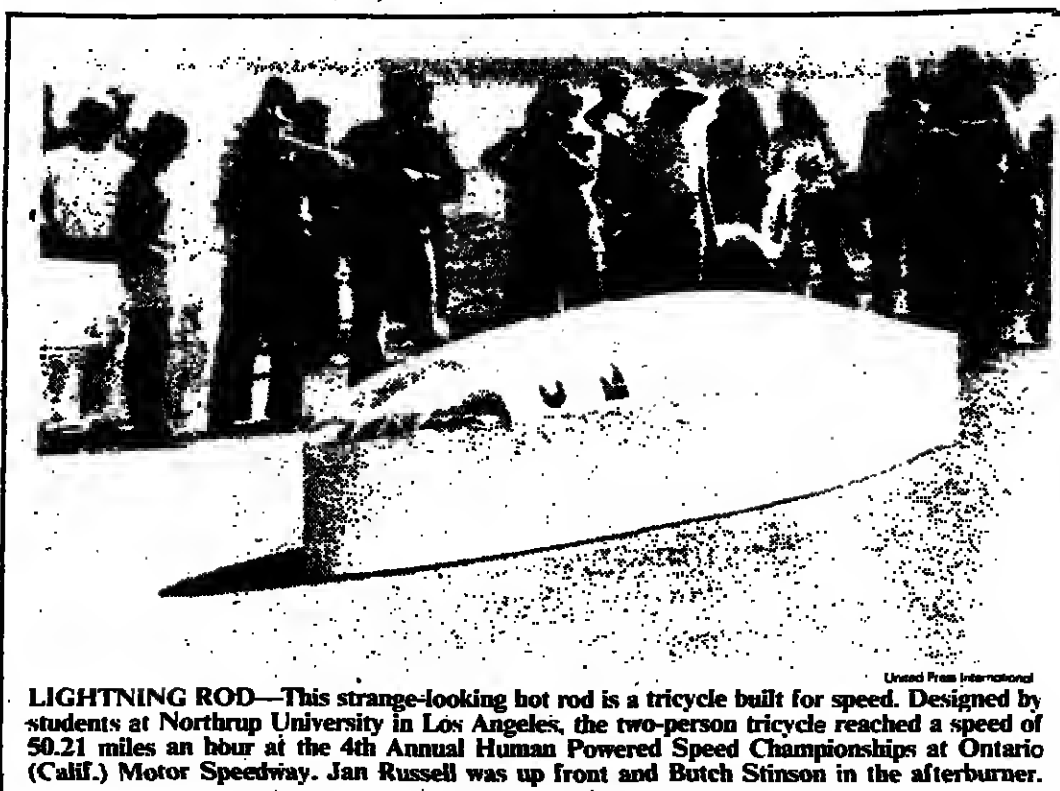
The committee said that the Pentagon should study alternatives including: Improvements in the effectiveness and fairness of the draft, a new standby draft which would include mandatory registration, physical and mental tests of eligible youths before enlistment and a standby classification system and ways to improve recruiting.

Italian Is Fined In Salami Case

MILAN, May 7 (AP)—Ambrogio Molteni, co-owner of a large salami company and involved in a case of rotten salami exports, has been sentenced by a local court to pay a fine of 2.5-billion lire (\$2.7 million).

The industrialist was convicted of smuggling but was acquitted of more severe charges of forgery and fraud, thus avoiding prison terms.

Mr. Molteni was tried in absentia since he has been hiding in Switzerland since an arrest warrant was issued two years ago. The case concerned exports of salami made with excrement. The rotten salamis were put for sale. It was a trick for receiving government export benefits.



LIGHTNING ROD—This strange-looking rod is a tricycle built for speed. Designed by students at Northrup University in Los Angeles, the two-person tricycle reached a speed of 50.21 miles an hour at the 4th Annual Human Powered Speed Championships at Ontario (Calif.) Motor Speedway. Jan Russell was up front and Butch Stinson in the afterburner.

Held for 9 Months

Student Tells of Life In E. German Jail

WINDOM, Minn., May 7 (AP)—

Alan van Norman, a U.S. student, fought off the monotony and uncertainty of an East German prison for nine months with humor and mental calisthenics. He even began looking forward to eight-hour interrogation sessions, which were better than lying in his cell.

The 22-year-old former Bible-camp counselor had been sentenced to 2½ years for trying to smuggle an East German family in the West in the trunk of his car.

He was exchanged last week for convicted Soviet spy Robert Thompson, who was released from a U.S. penitentiary in Pennsylvania, East German attorney Wolfgang Vogel helped arrange the trade. He arranged a similar one involving U-2 pilot Francis Gary Powers in 1962.

For three months, five days a week, eight hours a day, Mr. van Norman said here, he was questioned by a German-speaking man. Mr. van Norman sat in a corner, his back against a wall, and listened as a woman interpreted.

"They kept asking, 'Who's sent you?'" he said.

"Finally I said: 'Mr. Ed, the talking horse. They got angry with me and said, 'Tell me about the plan.' I said, 'Japan and Alberta (a Canadian province) are planning to roll up Russia and send it to Mars.' They asked me if I would sign that."

Back in his 9-foot-by-12-foot room, Mr. van Norman reviewed the day's questioning, trying to make his story airtight.

"You didn't like it when they were asking you questions, but you didn't like it when they were quiet, either. That meant they were trying to nail you, digging up new information from somewhere," he said.

Attempt Failed

Mr. van Norman tried to hide what he knew — including the names of the people who approached him at a Lutheran retreat in northern England in 1976 and asked him to help get Dr. Juergen Graf, his wife and son out of East Germany.

Collision Splits Greek Tanker; Spill Held Minor

GORLESTON, England, May 7 (AP)—A Greek tanker, carrying 2,000 tons of oil was cut in two in a collision with a French ship in the North Sea off eastern England yesterday. A government spokesman said the resulting oil slick did not constitute a major pollution hazard.

Rescuers who went to the scene nine miles off the coast of Norfolk, said that crew members were safe and unharmed.

The crew of a Royal Air Force helicopter reported that an oil slick about a quarter of a mile long and an eighth of a mile wide was drifting northwest, parallel to the English coast. The oil has seeped from the severed front half of the 12,680-ton tanker Eleni V. Tanks containing 6,000 tons of oil in the rear section of the tanker are believed to be intact.

A spokesman for the British Department of the Environment said some oil was bound to come ashore from the collision, but he added: "We don't consider this a major pollution incident."

The other ship involved in the collision was the 16,023-ton French-registered merchant vessel Roseline.

Earthquakes Hit Iran

TEHRAN, May 7 (AP)—Iran radio reported early today from Ardabil near the Soviet border that several earthquakes rocked the town but caused no damage or casualties.

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Germany. The attempt failed, apparently because road scales detected the extra weight in Mr. van Norman's car.

During his nine months in prison, Mr. van Norman did not see many people: the guards, eventually a roommate, a lawyer and a U.S. counsel. Human contact was a privilege, as were showers, books, a German-English dictionary, a walk around a small yard and chocolate.

He read books, played chess and

Elephant Kills Its U.S. Trainer; 2d Seized After Fleeing Circus

ROCK FOREST, Quebec, May 7 (AP)—An elephant trampled its U.S. trainer to death during a circus performance and another elephant that fled into a nearby forest in panic was recaptured yesterday, police reported.

A police sharpshooter killed the first elephant Friday night while it stood over the dying trainer, Elvise Berchold, 42, refusing to let handlers approach. The second elephant, terrified by the screams of about 250 spectators, ripped through the circus tent and ran up the main street of this small town 100 miles east of Montreal and into nearby woods.

Police and circus workers ringed the animal and held it at bay for 16 hours until animal importer Morgan Berry, of Woodland, Wash., flew here. The elephant immediately responded to Mr. Berry, who had raised it, and was led back to the circus grounds.

Mrs. Berchold, also of Woodland, apparently slipped and fell during the Gaiini Circus performance and the 6,000-pound elephant walked over her, according to a police spokesman. Circus workers tried several times to remove her body but the elephant would not let anyone near.

Spectators were evacuated from the tent while police summoned a veterinarian. Several tranquilizing darts were fired but had a maddening effect on the animal, the spokesman said. Then the sharpshooter was summoned.

U.S. Court Bars Canadian Boats

SEATTLE, May 7 (AP)—U.S. fishermen have won a temporary injunction blocking Canadian boats from fishing in Pacific coastal waters off the U.S. District Court Judge Donald Voorhees.

U.S. authorities argued that the order would strain relations between the two countries. Canadian fishing boats have been allowed to fish within U.S. waters since the early 1970s by reciprocal agreement between both governments. An agreement has been drafted between the two governments to continue the policy under the 200-mile fishing limits imposed by both countries, but has not yet been ratified by Congress.

The suit was brought against the Commerce and State Departments by the Washington Trollers Association and the Quileute Indian tribe.

London Times Warns Unions Of a Shutdown

LONDON, May 7 (AP)—Times Newspapers Ltd. has warned leaders of printing unions that it will shut the Times and the Sunday Times within two months if unofficial strikes continue to disrupt production.

A spokesman for the company yesterday confirmed the ultimatum after a day of gossip about it in Fleet Street, London's newspaper quarter.

Sources at the company said the management wants new agreements covering dispute procedures, wages, technology and staffing completed by November. Some of the factors in past disputes have involved staffing levels, wage differentials and demarcation fights between different unions. Union resistances springs largely from fear that new machines will displace scores of workers, the sources said.

Labor disputes in the London plant cost the two newspapers a total of 8 million copies — 20 per cent of their output — in the first three months of this year and the equivalent of £1,750,000 (\$3,237,000) in profits.

China Chief Affirms Support of N. Korea

TOKYO, May 7 (AP)—Chinese leader Hua Guo-feng told 100,000 North Koreans today that the people of China and the whole world "are on your side" and denounced what he called the U.S. "policy of aggression and division" in Korea.

Mr. Hua demanded that the United States withdraw all its troops and military equipment from South Korea and said that North Korea "is the sole legitimate sovereign state. We do not recognize the South Korean authorities."

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Mondale in Australia for Talks on Refugees, Uranium

CANBERRA, May 7 (AP)—U.S. Vice-President Mondale arrived in Australia today for talks likely to center around the increasing flow of Vietnamese refugees into Australia and export of the country's uranium deposits.

Mr. Mondale flew into the Australian capital aboard a presidential jet with his wife, Joan, and son, Ted, accompanied by officials and 44 security men, after visiting the Philippines, Thailand and Indonesia.

Mr. Mondale's arrival coincided with that of two more Vietnamese refugee boats in the northern port of Darwin, the latest in the stream of refugees that is causing the Australian government serious concern.

The latest arrivals, with 70 persons aboard, make a total of 41 boats and more than 1,200 refugees who have arrived on Australia's guarded northern coast in the last three years.

Officials Fear Disease

Australian officials have expressed fears that such uncontrolled immigration could spread diseases, such as malaria, typhoid and cholera, diseases from which Australia is now free.

Australia would like to see the United States take more of the Vietnamese who arrive in Australia.

Mr. Mondale was met at the Canberra Royal Australian Air Force base by Australian Foreign Minister Andrew Peacock and U.S. Ambassador Philip Alston.

Unprecedented security surrounded the vice-president for his 7:45 p.m. arrival. Bridges, intersections and buildings along the route

from the base to the lakeside hotel in downtown Canberra, where the Mondales are staying, were heavily guarded.

The Australian government has stepped up its internal security measures since the February bombing of the Sydney Hilton during a regional Commonwealth heads of government meeting. Three persons, all city council workers, died in the blast.

Mr. Mondale's schedule calls for him to visit the Australian Parliament tomorrow for talks with Australian Prime Minister Malcolm Fraser and the Australian Cabinet, then lunch with the U.S. ambassador.

Apart from a wreath-laying ceremony and a dinner with Mr. Fraser at his official residence tomorrow night, Mr. Mondale has no other engagements before his departure

for New Zealand Tuesday morning. Australian officials said that they would all raise the subject of Australian beef quotas to the United States with the vice-president, the first high ranking member of the Carter administration to visit Australia.

The U.S. Congress is debating whether to cut Australia's beef quotas at a time when the Australian beef industry is suffering a serious

loss of markets in Japan and Europe.

Mr. Fraser also is expected to express pessimism about the state of world trade and what he sees as an increasing move toward protectionism and high tariffs by developed countries, particularly the European Economic Community.

Mr. Mondale is reported to want to discuss Australia's uranium policy, which is a major political issue in Australia. Recent discoveries in northern Australia have indicated Australia has one third of the world's easily recoverable high grade uranium.

The Australian government, however, has put strict conditions on its export, specifically that customers would have to guarantee that they would not reprocess reactor waste to plutonium, or use it for weapons.

Sailors Ready for War

Sixth Fleet—'Just Professionalism'

By Drew Middleton

ABOARD CARRIER FORRESTAL, in the Mediterranean, May 7 (NYT)—A Phantom fighter-bomber roared down the flight deck into the morning sun. The day's work had started.

The Forrestal plowed through the mist. On the horizon the frigate Astor, one of its escorts, bounded on the swell. One by one, two by two and sometimes four at a time, the aircraft swept off the flight deck, some to make simulated attacks on an accommodating Italian frigate, some to practice bombing techniques. A Hawkeye lifted an ungainly 37,000 pounds to take station as an intercept and early warning aircraft.

The crew on the flight deck were hard at work. Helmed, clad in various colored shirts, they gestured to the pilots, slapped the deck and, when the aircraft was launched, fell on their bellies in the wreaths of steam from the catapults.

Small Fire

The night before there was a small fire forward. The iron clamor of the bell sounding general quarters was followed by the clatter of hundreds of feet on the way to stations. The sailors came down the passageway, young, alert, running hard toward the fire.

In the quiet of his quarters after the fire had been put out, Rear Adm. Robert Schultz, commanding Carrier Group Two, listened approvingly as Capt. Peter Booth, the skipper, complimented the crew on its professionalism in an emergency.

"Sometimes at home you get sore when people say this generation won't work, won't fight," the admiral said. "You saw them. You saw the way they work on the flight deck and in the engine rooms. These are good boys."

The carrier group centered on the Forrestal is part of the Sixth Fleet. If "the kids are good," as the petty officers say, they had better be, for the fleet's mission is as challenging as any facing a U.S. naval force in peace. It is "responsible for conduct of naval operations as may be directed by competent national and NATO authorities to insure control of the sea and air within the Mediterranean Sea, the Black Sea and ashore in countries contiguous to or near the Mediterranean Sea."

8 Task Forces

To carry out its mission the fleet has 40 to 50 ships, 200 aircraft and 23,000 to 25,000 in its crews, divided into eight task forces based on operational requirements.

The cutting edge is Task Force 60, consisting at the moment of two attack aircraft carriers, the Forrestal and the Nimitz, and their escorts, cruisers, destroyers and frigates. The combined elements of two other task forces, 61 and 62, provide amphibious-landing capabilities. Task Force 62 includes a reinforced Marine battalion supported by tanks and guns, while Task Force 61 is made up of amphibious assault ships, attack transports and cargo vessels.

Nuclear-powered strategic submarines, armed with Polaris ballistic missiles make up Task Force 64. Task Force 66 is the anti-submarine force, which coordinates all anti-submarine warfare in the fleet, and Task Force 67 is a shore-based group of anti-submarine and surveillance aircraft. In Task Force 69 are the attack submarines assigned

to the fleet at present all nuclear-powered. Last noticed but indispensable is Task Force 63, the service force that provides fuel, supplies, ammunition and repair.

To leave the frenetic activity aboard the Forrestal for the flag-ship, the guided-missile cruiser Albany, is like going from the floor of the Stock Exchange to the boardroom of a bank.

Oil Must Flow

Although Harry Train, the vice-admiral who commands the fleet, has the quiet, assured air of a corporation executive, when he sketches his command's responsibilities, these responsibilities have larger dimensions. There are, he pointed out, 10 billion barrels of oil moving through the Mediterranean on any given day. 50 per cent of the oil consumed by U.S. partners in the North Atlantic Treaty Organization is refined in Europe and, Adm. Train said, "the oil must get there."

That is only one of his concerns. There are six scenarios that he and the fleet must be prepared to act out in war, he continued.

The first is to employ carrier-borne aircraft to support allied ground forces fighting an invasion of northern Italy by Soviet and other Warsaw Pact forces moving out from the Girona Pass into Yugoslavia. The second is to use aircraft and other resources to help NATO forces fighting a Warsaw Pact invasion from Bulgaria into Greek and Turkish Thrace, an invasion that, if successful, would give the Eastern bloc control of the waterways leading from the Black Sea to the Mediterranean.

The third scenario envisages an support of a land war after a Soviet invasion of eastern Turkey. Then there is the prospect of a naval war independent of land operations. Despite the growth of the Third Squadron of the Soviet Black Sea Fleet, deployed in the Mediterranean, neither Train nor his task

New Train Line In U.K. Today

LONDON, May 7 (AP)—British Rail will open a new service tomorrow between London and Edinburgh at speeds up to 125 miles an hour.

The Inter-City 125 service will cover the 400-mile journey in 4 hours, 52 minutes, 35 minutes faster than the current 100 mph Inter-City trains.

Trains will be the same as for other trains on the route. Six diesel-powered trains will open the new service. More will be added as the London-Edinburgh trains now operating are phased out.

U.K. Mice Embryos Survive Deep Freeze

LONDON, May 7 (UPI)—Scientists have successfully revived nine embryos frozen in suspended animation five years ago, according to a London medical researcher.

Dr. David Whittingham, of University College London, told the Royal Society last week that mice frozen in liquid nitrogen at 3-day-old embryos five years ago were thawed out earlier this year and one, planted into a female mouse, gave birth to an apparently normal litter last month.

Errett Scribner, Representative Of Kansas, Dies

COCOA BEACH, Fla., May 7 (AP)—Errett Scribner, 80, who represented the Kansas City, Kan., area in the House of Representatives for 15 years, died Friday.

Rep. Scribner was elected to Congress in 1943 and was the ranking Republican on the House Military Appropriations Subcommittee. He also was one of the authors of the GI Bill of Rights and is credited with introducing the first revenue-sharing proposal, foreshadowing the legislation that passed nearly 25 years later.

In 1958 he was appointed assistant deputy secretary of defense by President Dwight D. Eisenhower.

Stefan Peterfi

MEXICO CITY, May 7 (AP)—Stefan Peterfi, 71, one of four Romanian vice-presidents, died yesterday of an apparent heart attack at the Mexico City airport while waiting to board a plane, a spokesman for the Mexican Foreign Ministry said.

Mr. Peterfi was the highest representative of Romania's Hungarian minority of 1.7 million and a noted poet. He was elected chairman of the March of a newly set up Council of the Working People of Magyar (Hungarian) Nationality, following reports of alleged official suppression of Hungarian and other minorities.

Manzo Nomura

TOKYO, May 7 (AP)—Manzo Nomura, 79, honored as a living national treasure for his performances in traditional Japanese Kyogen comedy, died of cancer yesterday.

Kyla Obitt

SANTA MONICA, Calif., May 7 (AP)—Pioneer modern dancer Maya Kyla, 68, who studied under Martha Graham and Agnes DeMille, has died here.

Roberto F. Giusti

Buenos Aires, May 7 (AP)—Roberto F. Giusti, 91, a literary critic, politician and author of more than 20 books, died here last night.

Passman Weighs Plea Bargaining

ALEXANDRIA, Va., May 7 (UPI)—A lawyer for indicted former congressman Otto Passman yesterday said that plea-bargaining arrangements have been discussed, but nothing definite has come of them.

He said that Mr. Passman rejected a Justice Department offer to drop some charges against him if he would plead guilty to a felony.

Mr. Passman, 77, was indicted March 31 by a federal grand jury in Washington on charges that he conspired to receive \$213,000 in illegal payments from Korean businessman Tongsun Park from 1972 to 1976. He was indicted again April 28 on charges of evading more than \$77,000 in taxes by failing to report \$143,000 in income.

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It also was in the management of 10 of the 42 private placements in DM WestLB was in the management group of 51 public issues and private placements in Euro issues in other currencies. The Bank also participated in 451 other DM issues, and in the US it was a member of the syndicate in 13 domestic US issues.

In addition, WestLB played a dominant role in domestic DM loans to international borrowers on a long-term fixed interest basis. WestLB's strong commitment to sound personal advice to the bank's customers, its high quality of service, and its extensive international network were also confirmed by the Bank's extensive international activity.

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A strong force in wholesale banking **WestLB**
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Adventure in Angola

South Africa's paratroop strike at guerrilla bases deep in Angola must have been meant to appease hardline whites who condemn Pretoria's acceptance of a Western compromise for the independence of South-West Africa (Namibia). The raid also in effect notified the South-West Africa People's Organization (SWAPO), whose camps it hit: Accept the deal or risk a more savage war.

The Western plan calls for a cease-fire in Namibia, withdrawal of most South African forces and United Nations supervision of elections for a constituent assembly. SWAPO's leaders have hesitated to accept it, fearing that once they lay down their arms South Africa will renege and leave them helpless. After the South African raid, they may find acceptance politically impossible.

If SWAPO rejects the Western proposal, South Africa is ready with its own plan for Namibian independence, including a constitution that would guarantee a political veto to the new country's white community (12 per cent of the population); it would also prolong the protective presence of South African troops. That, we suspect, is precisely what motivated the strike so deep into Angola. And that is why, despite Pretoria's claims

of provocation, the raid deserves the strong condemnation of the international community.

The action is also suspect on military grounds. SWAPO's 2,000 guerrilla fighters may annoy the South Africans but they pose no threat that justifies attacks on targets 150 miles north of the Namibia-Angola border. South Africa has merely provided one more justification for the presence in Angola of Cuban troops.

South Africa's raid came on the heels of a special session on Namibia in the United Nations General Assembly, which four years ago recognized SWAPO as the "sole and authentic representative" of Namibia's peoples. The assembly took no formal notice of the Western efforts to find a compromise for independence and contented itself with a ritualistic appeal for "comprehensive economic sanctions" against South Africa.

More useful would have been a descent from these glades of rhetoric to the stony ground of real politics and a bid to SWAPO to accept the Western proposal before South Africa completely undermines the solution it claims to have bought.

THE NEW YORK TIMES.

Peace-Keeping in Lebanon

The incident in which three United Nations soldiers were killed in southern Lebanon the other day goes to the heart of the problems the international community frantically thrust upon the world body when Israel intervened in Lebanon earlier this year.

To induce the Israelis to withdraw, something had to be done to prevent Palestinian guerrillas from easily resuming from southern Lebanon the raids into Israel to which Israel had responded by its invasion. The United Nations, which was keeping peace already on Israel's borders with Syria and Egypt, was hastily recruited. If people had focused sharply on the difference in Lebanon, however, one wonders whether the United Nations would have been assigned the job.

In those other places, very fine-grained agreements were worked out before the peace-keeping units were sent, and the established governments that worked out the agreements accepted responsibility for putting them into effect. In Lebanon, almost none of the detail was worked out in advance and, most important, on the Lebanese side there has been no single established authority with which Israel and the United Nations could deal. The Lebanese government's writ simply does not run in southern Lebanon; it has no army to speak of. The Palestine Liberation Organization claims to speak politically for all Palestinians, but it lacks operational control over diverse Palestinian units and individuals in the area. That is the swamp the United Nations is in.

In the incident Tuesday, Palestinians apparently not under the control of the PLO shot up a UN contingent. The PLO, which has vowed to cooperate in the particular issue of the safety of peace-keeping personnel,

set out after the offending guerrillas. But, meanwhile, the UN contingent reduced its patrolling, thus raising the critical question of whether it is or will become a UN practice to retreat under guerrilla intimidation or whether, as one must hope, the peace-keeping force was merely making a limited and temporary adjustment.

On Wednesday the Security Council reaffirmed its confidence in the peace-keeping potential by deciding to add 2,000 men to the 4,000 already on station. The fact remains that in undertaking to ensure the "peaceful nature" of the border area, the United Nations has tackled a project that the Lebanese government, the Christians of southern Lebanon and their patrons, the Israelis, had not previously been able to perform. Indeed, under the best imaginable circumstances the United Nations could not expect to stop every infiltrator, given the terrain; nor to prevent guerrillas in the zone to the north from firing long-range guns at Israeli border villages; nor to halt Palestinian raids launched by sea from places like Tyre, a Palestinian redoubt that even the Israelis were loath to take on. In the circumstances, the Israelis have reason to want to see their nemesis, Yasser Arafat, tighten his authority over the undisciplined extremist elements in the Palestinian movement, as unwelcome as Tel Aviv as the political results of that tighter control might be.

The United Nations is working on a military aspect of a problem whose essence is political. It is the Palestinian problem. No tranquility will come to southern Lebanon, or to Lebanon as a whole, or to Israel, while the legitimate grievances of the more moderate Palestinians are unresolved. That may not offer much consolation to the UN forces under fire. But it should remind the parties to the peace negotiations of the perils that lie ahead if no progress toward a comprehensive Mideast settlement is made.

WASHINGTON POST.

International Opinion

The Two Germanies

One of the subjects nearest the center of Mr. Brezhnev's preoccupations in Bonn this week must be relations between East and West Germany. This remains the heart of the European problem.

In West Germany there is no significant interest in reunification, if only for the simple reason that life is not at all bad as it is.

The situation in East Germany is less predictable. There have been growing symptoms of social and political stress. None is serious enough to threaten a breakdown of order, especially with about 20 Soviet divisions in occupation. The difference in living standards between the two parts of Germany is widening. Unless the East Germans can offer a reasonable prospect of narrowing the gap with West Germany the expectations aroused by open exposure to the wealthier and freer life of the west will retain a constant source of trouble and a stimulus to thoughts about reuniting the two states.

From the Times (London).

Lockheed Sale

They do not love us in Hartford, Connecticut. Mr. Harry Gray, chairman of Pratt and Whitney, the U.S. aero engine makers, is protesting about the success of the British in winning a contract [to sell Rolls-Royce engines to Lockheed for its TriStar airlines].

We are very fond of the Americans and want to do as much trade with them as possible. Indeed we want to sell them more engines. But it is plain ludicrous of American businessmen to start grizzling about hard selling with government guarantees behind it. The Americans themselves created a Buy American Act which required work in certain fields to be awarded prescriptively to U.S. companies unless foreign rivals could undercut their tenders by 50 per cent.

It is rather enjoyable for the British to be accused of cutting corners and aggressive commercial practice. We have spent far too long as perfect gentlemen not trying very hard to win. The limp and passive image of the British, as other people with sharper elbows passed us on the inside track, ought to go.

From the Daily Express (London).

In the International Edition

Seventy-Five Years Ago

May 8, 1903

GENEVA—The chief medical officer of the United States Army, Brig. Gen. O'Reilly, and his staff will visit Switzerland early in the summer for the purpose of studying Swiss hospital methods. A prolonged tour is projected, including the principal towns. An elaborate report will be prepared, and the medical profession here is preparing a big reception for the foreign guests and will afford them every facility.

Fifty Years Ago

May 8, 1928

PLYMOUTH—Six German deserters from the French Foreign Legion were landed here today by the Dutch steamer Commeweyne instead of at Havre, where it was feared they might have been recaptured by the French authorities. They boarded the steamer in Paramaribo, Dutch Guiana, after they had deserted in French Guiana. The German consul provided them with clothes, money and food.



'Our Guy Wanted to Be the Angel'

Carter's Personal Dilemma

By James Reston

WASHINGTON—There has been a theory around the White House for quite a while that the only way Jimmy Carter could hope to be a two-term president was to act like a one-term president—speaking out for the public interest as plain as a punch in the nose.

Carter has fiddled with this populist notion from time to time, as when he roared the big oil companies and members of Congress on the energy problem before retreating and proclaiming a "partnership" with Capitol Hill. But lately, as his standing in the popularity polls has dropped, he has been outspokenly critical of Soviet policy in Africa, Israeli policy in the Middle East, and, most recently, almost provocatively critical of lawyers and doctors here at home.

About this time, almost halfway through the first term, most recent presidents have found themselves in a slump between the end of the honeymoon and the struggle of the next election, and have had to decide whether to fight or compromise.

Which Road?

Truman, Kennedy, Johnson, Nixon, and even Eisenhower, faced the same problem, and dealt with it in different ways. Now Carter has come to the same fork in the road, and Washington, including his closest advisers in the White House and the Cabinet, are watching to see which road he will take.

There has always been this puzzle about Carter—whether the smile on his face or the chip on his shoulder would prevail. But his attempt to do both has not been working with the Congress or the press or his friends and advisers overseas, who still can't figure him out. So he is probably going to have to choose, or at least change the popular impression that he is "indecisive." Mr. Nice Guy one day, and Mr. Tough Guy the next.

Carter ran for the presidency on the proposition that what this country needed was a government as good as its people—fair, decent, unselfish, idealistic. If we could only get Henry Kissinger and "the Washington bureaucracy" out of the way, he suggested, then we could revive faith in our government, and cleanse the pollution of Vietnam and Watergate, and establish the republic once more as the political and moral leader and defender of the ideals of Western Civilization.

Noble Objective

It was a noble objective, and nobody should minimize Jimmy Carter's faith in it, but he has discovered in the last 15 months that things are not all that simple: that the Democrats in the Congress do not follow the lead of a Democratic president; that there is very little party loyalty between elections (and maybe not even then); that big business and big labor, the blacks, the farmers, the allies in Europe, Israel and Latin America and Japan have their own special interests, lobbies, and that the Republicans, all 38 of them in the Senate, are proclaiming publicly that his foreign policy and his economic policy at home are not only not working but that the people of the United States are disappointed in his performance.

In other words, Carter is now up against considerable evidence that maybe his moral premise was wrong: that maybe the people were not all that generous and unselfish but that maybe they were greedy and self-concerned. This has been a bit of a struggle for Carter personally.

Confronted with all this opposition, he is now beginning to turn to the people for support, and this may not be a bad political judgment. Despite his decline in the popularity polls, he has more confidence with the people in general than with the politicians, the press, the universities, or the lobbies for special business, labor union, farmer or foreign interests.

More Votes

The guess here is that he will pick up more votes in the end than he will lose by insisting on human rights abroad, and on fair legal and medical fees at home. For the moment, the blacks, the farmers, the unions, the liberals, the editorial writers, etc., are all cutting him up, but he is probably in better shape with the people in general

than with the "elites" and the lobbyists.

Carter's trouble in the last 15 months is that he has been trying to satisfy all these conflicting interests, but he is discovering that there is a fundamental difference between how to win an election and how to govern after you win. This is where he is now, and he seems to be saying that amid all this confusion of parties and special interests, the thing to do and say is what he thinks, be faithful to himself, and leave all thoughts of a second term to the judgment of the people later on.

Obviously this means that he has to change his own approach to issues and politics. If he is going to serve "the general interest" and rely on the judgment of the people,

he cannot defend Bert Lance one day, and raise the minimum wage the next, proclaim "human rights" in the Soviet Union and South Africa and Rhodesia, and ignore them in South Korea, and the Philippines for strategic reasons.

Dilemma

This is a fundamental political and philosophical dilemma for Jimmy Carter, even a theological question, which he hasn't yet resolved. He has been trying to play the game both ways, being very moral on one hand, and very clever and political on the other, but he is now trying to sort out these contradictions or compromises in his own mind, and come up with an answer that satisfies both his conscience and his ambitions.

The Risks of Electronic Spying

By Daniel S. Greenberg

WASHINGTON—Zoom lenses and electronic listening devices in U.S. space satellites regularly collect extraordinarily detailed data from every part of the Soviet Union. And, though not happy about it, the Soviets nevertheless sit still for that long-range theft of secrets. Why, then, did they recently gun down a South Korean passenger plane that, by all accounts, innocently blundered over their territory near Murmansk?

A good place to look for the answer is in the plane's inadvertent involvement in the closest thing to war now going on between the two superpowers: deliberate border-area intrusions designed to provoke the other side into revealing its electronic capabilities. We do it to them, and they do it to us, and our friends, all in the course of a free-wheeling electronics competition that is one of the fastest growing and most secret aspects of the arms race.

Provoking

Shooting incidents in this cat-and-mouse game are extremely rare, since the intruders—unlike the errant passenger plane—usually scout away as soon as they have provoked the other side into activating, and thus revealing, its warning and defense systems. And the game goes on, spurred by the realization that an endless surge of new developments in electronics has become the centerpiece of military competition between the United States and the Soviet Union.

The value of being aware of the other side's electronic capabilities was devastatingly revealed in the opening phase of the 1973 Yom

Kippur war, when electronic jamming devices aboard Israeli aircraft were unable to neutralize the radar guidance of the surface-to-air missile systems that the Soviets had supplied to the Arabs. Reports have it that the Israelis lost more than 100 aircraft before a rush shipment of newly devised U.S. jamming equipment enabled them to counter the missiles' guidance radar.

With that experience, plus similar events in the Vietnam war, deeply impressed on the minds of military planners, the urgency of sniffing out the other side's electronics, while advancing one's own, has been accorded the highest priority—just short of the point of risking direct military contact.

This competition has led to the development of an endless series of measures, followed by counter-measures, that, in turn, lead to counter-countermeasures, and so on. Thus, knowledge of the frequency on which a defensive radar operates permits the offense to generate a jamming signal that can "blind" the radar or feed it erroneous data as to location of the intruder. The jamming signal, however, is a giveaway that the defense can use for homing in on the missile—unless, of course, the radar guiding that missile is jammed by still another signal.

Electronic Maze

The necessity for split-second moves in the race between signal and countersignal accounts for the fact that immensely complex, though miniaturized, computers are becoming standard equipment on combat aircraft. Between takeoffs and landings, today's Red Barons

are mainly passengers in an airborne electronic maze.

Though increasingly versatile electronic equipment is being developed to permit instantaneous scanning and jamming of the other side's signals, great value is still put on "collecting" those signals so that they can be stored in a computer for swift recognition and response. Thus the value of provoking the other side into turning on its electronics, so that eavesdropping recorders can carry them home for analysis.

Survivability

As is usually the case with revolutionary technical developments of military value, the effects of the new electronics range far. With the United States generally regarded as well ahead of the Soviets in packing more electronic capability into less space, the Defense Department is pushing hard to restrict export of the underlying know-how. And to keep ahead, it is looking for ways to restore the close, university-based science link that it lost during the Vietnam war. One ironic concern is that the civilian electronics market now so far exceeds the military's relatively small and highly specialized needs that the military services aren't getting the attention they could formerly command.

Developments in military electronics also affect military planning and budgets far beyond the immediate costs and capabilities of the gear for jamming and counterjamming. A major element in the decision not to build the B-1 was the expectation that our aging force of B-52s, though far slower-moving than present-day interceptors, could be equipped with what amounts to electronic armor against Soviet defense forces. And though the Cruise missile is too small to carry any significant amount of jamming gear, its survivability is based on plans for electronics-laden aircraft to "jam" it through Soviet defenses.

Against this background of raging electronics competition, what's amazing about the Soviet response to the errant passenger plane is not that they shot it and forced it down. Rather, given their relative backwardness in electronics and in difference to nice-guy ratings, what's astonishing is that they let it lumber around the Murmansk skies for nearly two hours before they forced it down.

The electronic riches from that episode will keep U.S. analysts busy for some time.

Letters

Press and President

Re: "Savaging the President" by Anthony Lewis and "Dancing on Borrowed Time" by Lurie (H.T. April 25).

It would have been a great day in journalism if IHT readers had seen a cartoon showing the new boy in town (who else but Carter) being harassed by the local bullies (who else but the press). If that is too much to hope for, I hope that Anthony Lewis's column was read carefully.

What I really wanted to say is that the whole subject has become a daily bore—a cliché—which terrifies when one thinks about the extraordinary seriousness of the situation. The press must be more straightforward with the facts and not so entertaining with colorful columns.

BETTIE COPELAND.
London.

'Never Nude'

Re: Article on the performance of "Santuz Susanna" in Rome (H.T. March 4).

Unfortunately, I have been detained for some time, but the fact remains, that this article has disturbed me greatly.

The information was totally incorrect. I was not nude or semi-nude during this performance. The "nude" was an unknown person hired for this part especially.

Furthermore, I have never appeared nude or semi-nude in any

performance, especially not in "Salome" in the United States or elsewhere.

DR. FELICIA WEATHERS.
Monich.

Atonement

In your article on April 25th you state that "no Jewish Americans, as to Americans generally, Israel is a moral question, atoning for the slaughter of millions of European Jews" and this view is also shared by most British and German people.

There are many reasons for supporting Israel but must we continue to plumb the depths of self-satisfying hypocrisy by saying that the settlement of Jewish people on other people's land against the wishes of those people is our atonement.

JOHN B. TATHAM.
Neuilly sur Seine.

Middle East:

3 Actors Need Script

By Joseph Kraft

WASHINGTON—Imagine three actors in search of a script, and you have a good idea of what is going on in the Middle East these days. There is an abundance of speech, and not a little offstage noise and some expectant rustling among many audiences. But the action now is leading nowhere except (and I am not kidding) toward the supreme dream of players on the world stage—the Nobel Peace Prize.

The most accomplished of the actors by far is the Egyptian, who once in fact trod the boards for living.

He initiated the present phase with the electrifying trip to Jerusalem. He followed that by meeting Prime Minister Menachem Begin at Amman. Then came a sheer piece of stagecraft—a brazen in the negotiations for no apparent reason. That set up another superb scene—a visit to Washington and the charming of President Carter the Congress and the U.S. public.

Not Effect

But Mr. Sadat lacks a sense of strategy. I feel for how to move from actions to objectives. In his speech to the National Press Club here he actually declared that he had gone to Jerusalem not to negotiate but to make peace—as if settlement was something that would happen, like the falling of the walls of Jericho after a trumpet had sounded. So the net effect of Sadat's action was to put the making of a settlement in the hands of Jimmy Carter.

Prime Minister Begin tended to the same direction. To be sure, where Sadat is heavily shoving, Mr. Begin casts himself as a figure in history play. He is the believe few who has left the ghetto and cringing for favors. As a Zionist prewar Poland, and as an underground figure in the Palestine British mandate, he was a fighter.

His response to Sadat's overture was positive. He received him with great dignity. The offer he made, Ismailia was—by Begin's standards, at least—an act of state manlike generosity. He not only relinquished to Egypt all Israel claims to the Sinai Desert, he had regarding the West Bank of the Jordan, what seemed to him a not act of renunciation. He suggested an indefinite period of Israeli claim to sovereignty over the West Bank. That in effect meant forever, and in time an Arab state will link to Jordan.

Arbiter

But Begin also didn't know how to move from grand gesture to settlement. To dramatize his nobles he also turned to Washington, making Mr. Carter the arbiter of the whole drama.

I do not find Carter easy to understand, and for a long time have pondered the picture he has his head of a settlement in the Middle East. I come to the conclusion that what he sees in his mind's eye is a small room where he, Sad and Begin sit together smiling shaking hands, making nice speeches and eventually—with suitable flourishes—setting their signature to a document labeled PEACE.

To break the deadlock Carter resorted to another stage device—emissary with the mission of drawing up a statement of mutually acceptable principles. When this failed, the President went through the public act of turning a colossus last month. But when Begin came back last week, there were smiles and songs in the Rose Garden, and the appearance of harmony and progress.

'Flying Solo'

In fact, there is no road map getting from here to a settlement. Israeli Foreign Minister Moshe Dayan, in a television interview with Barbara Walters the other day, voiced in agonizing terms the need to move from abstract talk about "the wording" of principle to "concrete proposals" on the ground and in reality.

Fortunately there is still time. Though Sadat has very little support in his own country or the rest of the Arab world for continuing his peace initiative, he is still hanging in there. "Flying solo," as he has put it, he came to the conclusion that he was the peace initiative to be still alive when the Nobel Prize is voted in October. So at least there are a few more months for somebody—presumably Secretary of State Cyrus Vance and Mr. Dayan—to come up with a script that will bring the three leading actors to a semi-happy ending that is at least still possible.

Threatens Sanctions

UN Warns S. Africa on Raid

Karlheinz Tetsch
UNITED NATIONS, N.Y., May 7 (AP)—The Security Council unanimously approved a resolution yesterday that condemned South Africa for its military raid Thursday into Angola, called for the withdrawal of the troops and implicitly warned that another attack could lead to sanctions.

The uncommon unanimity of the vote and the more than 20 speeches signifying the Pretoria regime demonstrated the isolation of South Africa. Its delegation did not ask to participate in the debate.

South Africa had called the strike a "limited operation" directed against guerrilla bases of the South-West African People's Organization (SWAPO), charging that they had been used for stepped-up "terrorist" attacks against the

neighboring territory of South-West Africa, which South Africa has ruled since 1920 under a League of Nations mandate. In 1966, the United Nations revoked the mandate and called on South Africa to end its "illegal" occupation of the territory, which the United Nations calls Namibia.

The council action was taken at an emergency weekend session summoned at the request of Angola, which charged that South Africa, contrary to its assertions that it had withdrawn its troops, was sending in reinforcements.

504 Refugees Dead

Elisio de Figueiredo, Angola's chief delegate, also said Saturday that the South African attack had taken the lives of 504 refugees from South-West Africa who were camped in Angola, and had wounded 224.

The speedy council action was believed to reflect a desire on the part of Western members and black-ruled African nations to prevent the South African attack from upsetting the continuing effort to win acceptance of a Western plan for independence for South-West Africa.

Late last month South Africa accepted the plan, which was put forward by the five Western members of the Security Council—the United States, Britain, Canada, France and West Germany. SWAPO, however, has held back, demanding changes in the plan, which calls for a cease-fire in the guerrilla war, a phased withdrawal of South African troops and UN-supervised elections leading to independence by the end of the year.

Sam Nujoma, the president of the People's Organization, has said that he was prepared to meet with representatives of the five Western nations, but the South African attack is expected to stiffen his attitude. Among other changes, he has been demanding tighter restrictions on the 1,500 South African troops who would be permitted to remain in the territory under the Western plan but would be restricted to their bases.

U.S. Criticizes Raid

The Western negotiators have scheduled further negotiations with Mr. Nujoma beginning tomorrow. A number of leading members of his group have come from Africa to attend the sessions.

James Leyland, the U.S. delegate, declared in the council that

the Pretoria government's acceptance of the Western plan did not give it a "license to massive violence."

Expressing dismay at the "senselessness" of the raid on Angola, he declared: "How is an already skeptical world to judge an action such as we have just witnessed on the eve of further and, we hope, decisive talks?"

The resolution approved yesterday was proposed jointly by seven members—Bolivia, Gabon, Nigeria, India, Kuwait, Mauritius, and Venezuela.

It says that, in the event of further violations of Angolan territory, the Security Council will meet again to "consider the adoption of more effective measures," as provided in Chapter 7 of the UN Charter. This chapter, concerning acts of aggression, provides for such punitive measures as the breaking of diplomatic relations or the ordering of trade sanctions.

Denmark Vows To Compensate Cod Fishermen

COPENHAGEN, May 7 (AP)—Danish Premier Anker Joergensen told 3,000 demonstrating fishermen yesterday that they could expect some compensation for a substantial loss in their fishing rights in the Baltic.

But Mr. Joergensen did not specify whether the fishermen could expect an increase in their share of the cod quota in the Baltic or direct economic help from the state.

Consequently, the fishermen, with about 500 vessels, decided to stay moored at the Copenhagen waterfront where they have been holding a demonstration since Thursday. On Friday, the fishermen held a brief blockade against six Danish ports. The blockade was lifted after the government promised to talk to a delegation of fishermen.

Mr. Joergensen also said that the West German government has backed a Danish claim to call an extraordinary session of the Baltic Fishing Commission as soon as possible.

U.S. Yachtsmen To Moor Again In Cuba's Ports

ORLANDO, Fla., May 7 (AP)—Several hundred Americans will sail into Cuban ports at the end of the week in the largest sailing contingent to visit the Communist-run island in nearly two decades.

The 300 to 350 boaters—yacht club members, sport fishermen and others going along merely for the fun—have been invited by the Cuban government, anxious for a renewal of the lucrative U.S. tourist business.

Vessels, ranging from sailboats and small sport boats to large, expensive yachts will negotiate the 90-mile stretch from the Florida Keys in two or three flotillas beginning Friday.

They will be escorted part of the way by the U.S. Coast Guard. Cuban Navy ships will lead the way to a welcome in Cuban ports.



OATH OF ALLEGIANCE—A Swiss Guard, one of the Vatican's 18 new recruits, takes his oath in the centuries-honored tradition during ceremonies during the weekend.

Muzorewa Delays Action In Rhodesia Council Rift

SALISBURY, Rhodesia, May 7 (AP)—Bishop Abel Muzorewa's political party deferred a decision today to withdraw from Rhodesia's multiracial coalition government, pending action by the executive council on a controversy over the firing of a black minister.

The United African National Council said, after a meeting, that its 70-member national executive will meet next Sunday to consider the government's steps to resolve a near rift in the four-man ruling executive council.

The UANC meeting was called to discuss pulling out of the interim government after the sacking of a minister of justice, Byron Hove, a Muzorewa appointee.

The UANC reiterated its support for Bishop Muzorewa and demanded Mr. Hove's reinstatement.

A Condemnation

"The meeting condemned the attempt to bypass Bishop Muzorewa throughout the whole Hove issue," a statement said. "This is now fully substantiated that, while attempts were made to contact the other three members of the executive council, no attempt whatsoever was made to consult Bishop Abel Muzorewa."

Addressing a group of white farmers in Mitika yesterday, Bishop Muzorewa implied that the letter dismissing Mr. Hove, that was published in a local newspaper under the name of the current executive council chairman, Chief Jeremiah Chirau, had been unilaterally sent out by a civil servant, not by the council.

The UANC executive expressed its concern that "it is not known who actually gave the word for the firing of Mr. Hove" and said that it was "perturbed by the fact that evi-

dence seems to indicate that civil servants played a direct political role in precipitating the crisis."

The UANC also condemned the "ganging up" against the bishop by other members of the executive council.

Nkomo Accuses West

LUSAKA, Zambia, May 7 (AP)—Joshua Nkomo, co-leader of the Patriotic Front, has accused Western governments of "plotting to overthrow ruling governments in front-line states," in a bid to perpetuate oppression and colonialism in southern Africa.

Addressing students at the University of Zambia last night, Mr. Nkomo said that Western governments intend to use "sophisticated and craft methods in overthrowing ruling governments in the front-line states."

High Stepping in N.Y.

NEW YORK, May 7 (AP)—Nearly 3,000 demonstrators, mostly teenagers, drank wine and smoked pot in Central Park yesterday after a 60-block march up Fifth Avenue to protest laws banning marijuana.

Asks for Aid of All Nations

Afghan Chief Describes 'Nonalignment'

By William Borders

KABUL, Afghanistan, May 7 (AP)—The head of the new government said yesterday that he has no intention of moving the country into the orbit of the Soviet Union.

"We are not a satellite of anyone, as some say," said Premier Nur Mohammad Taraki, 61, who came to power in a coup d'etat nine days ago. "We are nonaligned and independent and no country will have justification to interfere in our internal affairs."

At a news conference, Mr. Taraki appealed for the friendship and aid of "all the world's nations, including the United States."

In Washington, the State Department said that it had informed the new Afghan government that it would maintain diplomatic relations.

No Military Pact

Mr. Taraki said "we will not take part in any military pact" with the Soviet Union, Afghanistan's northern neighbor, or with any other country.

Although Mr. Taraki's political party, which he referred to as the People's Democratic Party of Afghanistan, has been regarded as a pro-Moscow Communist party, he disputed suggestions that it is Communist, Marxist or part of any international movement.

"Ours is the party of all the people," he said. "Our main objective is to secure the welfare of the workers and the peasants right here in Afghanistan."

Security at the news conference was tight. Foreign reporters were

checked with metal detectors, and the Premier was preceded and followed into the conference room by armed guards, including one who stood directly behind him holding a pistol.

Former Press Attache

Mr. Taraki, who was press attache at the Afghan Embassy in Washington in the mid-1950s, explained the overthrow of President Mohammad Daud, who was killed during the fighting here on April 28.

"He and some of his family members were destroyed" because they refused to surrender, Mr. Taraki said. He disputed estimates that thousands had been killed in the coup, saying that the figure was 72 or 73 killed.

He said that 20 to 25 officials of the Daud government, including a number of ministers, had been arrested, but that some have been released on the condition that they remain politically inactive.

"The intelligentsia is the main force of the country and every effort will be made to attract them," he said. "But we want to re-educate them in such a manner that they should think about the people, and not, as previously, just about themselves—to have a good house and a nice car, and yet other people die of hunger."

'Our Revolution'

Mr. Taraki described the change of government as "our revolution," pointing out that it had brought an end to the rule of the upper-class Mohammadzai clan, which had run

the country since the early 19th century.

"We are not anarchists," he said. "We are not from the high families. We came out from among the people."

He said that the government, which has seized the property of the former ruling family, would carry out land reform and reduce consumer prices. He hinted at nationalizations, but conceded that there was little to nationalize in this underdeveloped nation.

Mr. Taraki asked that aid from the United States and the Soviet Union be continued. "Our relationship with all the countries will be based on the amount of their support to our government in political and economic terms," he said, specifically mentioning U.S. aid projects. "We have lots of problems and we appreciate very much those countries who give us aid without conditions."

He referred to Pakistan and Iran, two anti-Communist neighbors that have been distressed at the change in Afghanistan, as brothers, and reiterated his government's dedication to Islam, which is the common religion of all three countries.

He said that the ruling Revolutionary Council, of which he is chairman, has about 35 members, of whom only five or six are military officers. According to other sources, all its known members belong to the Khalq party, which means Masses. Mr. Taraki is secretary-general of the party, he said. It is presumably the same party that he referred to yesterday as the People's Democratic party.



Afghan Premier Nur Mohammed Taraki is flanked by guards at Kabul press conference.

Dayan on London Stop

LONDON, May 7 (UPI)—Israeli Foreign Minister Moshe Dayan arrived today for a 36-hour stopover to meet Prime Minister James Callaghan and Foreign Secretary David Owen for talks on the Middle East before leaving for an official visit to Norway and other Scandinavian countries.

Mistrial Declared for Physician In California Baby Murder Trial

SANTA ANA, Calif., May 7 (AP)—A mistrial has been declared in the trial of Dr. William Waddill on charges of murdering a baby after the jury reported that it was deadlocked 7 to 5, with the majority favoring acquittal.

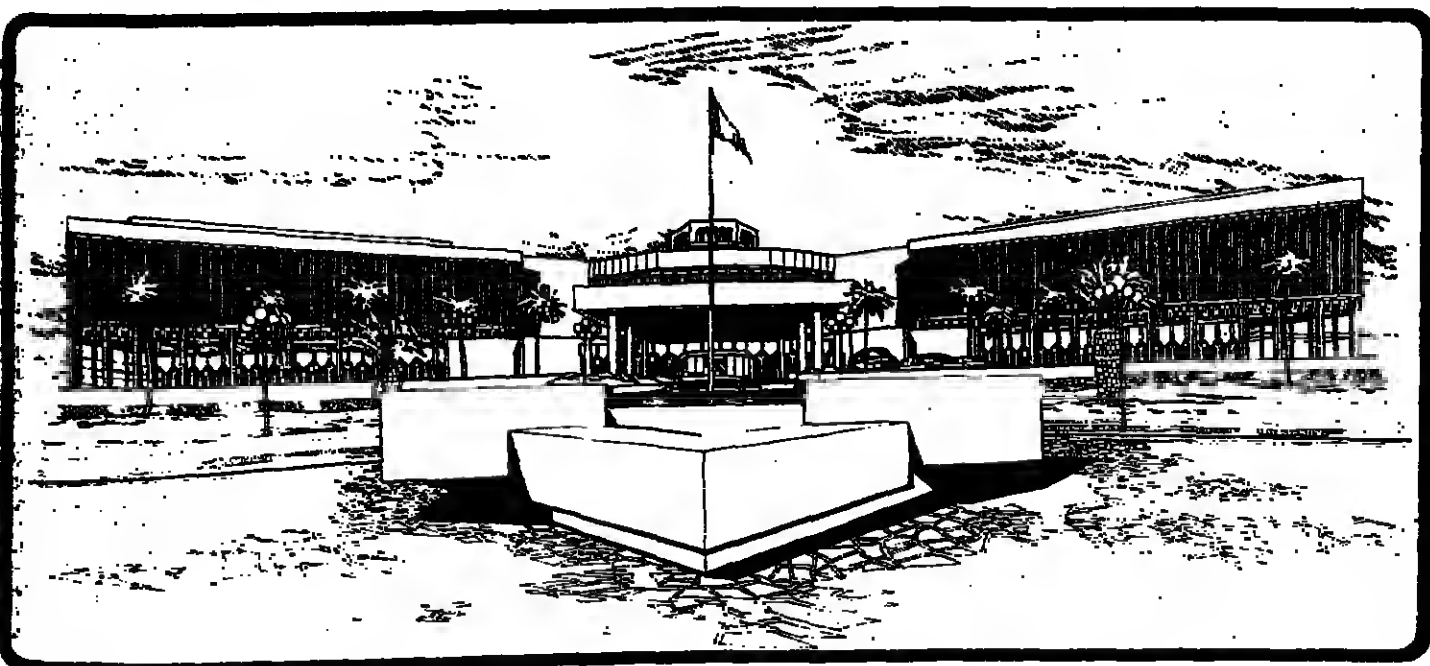
The judge declared the mistrial about two hours after the jury first reported it could not reach a decision. It had deliberated 11 days after a 14-week trial which drew the attention of anti-abortion activists.

Dr. Waddill, 42, an obstetrician, was accused of strangling a baby girl shortly after she survived a saline abortion.

The mother, 18, had told him she was unmarried and 22 weeks pregnant. On March 2 of last year, she was admitted to a hospital and Dr. Waddill injected a saline solution into her uterus to induce an abortion.

Instead of a 22-week-old fetus, she delivered a three-pound infant. Dr. Waddill, testifying in his own defense, said the baby was dying by the time he saw it at the hospital, and that death was from natural causes. One of his lawyers called the deadlock a moral victory, saying that many had assumed at the outset that Dr. Waddill would be convicted.

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SCA 9-2517	91%	Teneco 7-401	93%	WU 11-2288	77	Wash 10-1562	81%
SCA 9-2518	91%	Teneco 7-402	93%	WU 11-2289	77	Wash 10-1563	81%
SCA 9-2519	91%	Teneco 7-403	93%	WU 11-2290	77	Wash 10-1564	81%
SCA 9-2520	91%	Teneco 7-404	93%	WU 11-2291	77	Wash 10-1565	81%
SCA 9-2521	91%	Teneco 7-405	93%	WU 11-2292	77	Wash 10-1566	81%
SCA 9-2522	91%	Teneco 7-406	93%	WU 11-2293	77	Wash 10-1567	81%
SCA 9-2523	91%	Teneco 7-407	93%	WU 11-2294	77	Wash 10-1568	81%
SCA 9-2524	91%	Teneco 7-408	93%	WU 11-2295	77	Wash 10-1569	81%
SCA 9-2525	91%	Teneco 7-409	93%	WU 11-2296	77	Wash 10-1570	81%
SCA 9-2526	91%	Teneco 7-410	93%	WU 11-2297	77	Wash 10-1571	81%
SCA 9-25							

100%	Seor 8:45	100%	ToXG 7:52	91%	Ausio 8:53	102%	JapnO 8:31	100%
91%	Seor 7:45	91%	ToXG 8:47	95%	Ausio 8:41	97%	Mexco 8:57	95%
92%	Seor 7:47	92%	TenT 4:44	41%	Ausio 8:34	101%	Mexco 8:37	82%
89%	Seor 8:4	89%	Yalm 8:30	108%	Ausio 8:44	100%	Mexco 10:40	102%
88%	Seor 8:4	88%	Yalm 8:30	85%	Ausio 8:44			

Sec P, 7, 8, 9	97	Told 1503	90	Austin 8:45	98%	NZ 201 8:45	100
Sec P, 7, 8, 9	85%	Told 1053	102%	Austin 8:45	102%	NZ 201 8:45	100
Sec P, 7, 8, 9	85%	Told 9:3535	101%	Austin 8:45	101%	NZ 201 8:45	100
Sec P, 7, 8, 9	77	Told 9:4506	101%	Bowen 8:45	101	NZ 201 8:45	100
Sec P, 7, 8, 9	99%	Trans 4592	74%	South 10:1	101%	NZ 201 8:45	100
Sec P, 7, 8, 9	89	TWA 4592	102%	South 10:1	101%	NZ 201 8:45	100
Sec P, 7, 8, 9	100%	TWA 4592	51%	Cuba 2:27	100	NZ 201 8:45	100
Sec P, 7, 8, 9	94%	TWA 5594	81%	Cuba 2:27	100	NZ 201 8:45	100

Shinck 44884	127	TronF B-201	100%	EurCS B-283	99%
Singer 8599	85%	TrGPL B-700	98	EurCS B-700	101%
Shinck 8592	68	T-GPL B-1-80	100%	EurCS B-700	100%

[illegible]

SeBIT 8514	91:	UnET 101405	1014	dividend, 3--Paid in stock in preceding 12
SeBIT 8516	94	UONC 44698	84:	months--estimated cash value on ex-dividend or
SeBIT 8517	92	UONC 44698	100:	on distribution date

SCE 3-000	9112	UDHC 6-000	9112
SCE 3-001	9113	UDHC 6-001	9113
SCE 7-977	9078	UPACC 8-863	1613
SCE 10-481	9083	UPACC 8-864	1614
SCE 10-482	9084	UPACC 8-865	1615
SCE 8-127	9079	USAL 4-179	62
SCE 8-128	9080	USAL 4-180	63
SCE 7-978	9079	USAL 4-181	64
SCE 7-979	9072	USBRN 5-958	25-4
SCE 7-980	9073	USBRN 5-959	25-5
SCE 7-981	9074	USBRN 5-960	25-6
SCE 7-982	9075	USBRN 5-961	25-7
SCE 7-983	9076	USBRN 5-962	25-8
SCE 7-984	9077	USBRN 5-963	25-9
SCE 7-985	9078	USBRN 5-964	25-10
SCE 7-986	9079	USBRN 5-965	25-11
SCE 7-987	9080	USBRN 5-966	25-12
SCE 7-988	9081	USBRN 5-967	25-13
SCE 7-989	9082	USBRN 5-968	25-14
SCE 7-990	9083	USBRN 5-969	25-15
SCE 7-991	9084	USBRN 5-970	25-16
SCE 7-992	9085	USBRN 5-971	25-17
SCE 7-993	9086	USBRN 5-972	25-18
SCE 7-994	9087	USBRN 5-973	25-19
SCE 7-995	9088	USBRN 5-974	25-20
SCE 7-996	9089	USBRN 5-975	25-21
SCE 7-997	9090	USBRN 5-976	25-22
SCE 7-998	9091	USBRN 5-977	25-23
SCE 7-999	9092	USBRN 5-978	25-24
SCE 8-000	9093	USBRN 5-979	25-25
SCE 8-001	9094	USBRN 5-980	25-26
SCE 8-002	9095	USBRN 5-981	25-27
SCE 8-003	9096	USBRN 5-982	25-28
SCE 8-004	9097	USBRN 5-983	25-29
SCE 8-005	9098	USBRN 5-984	25-30
SCE 8-006	9099	USBRN 5-985	25-31
SCE 8-007	9100	USBRN 5-986	25-32
SCE 8-008	9101	USBRN 5-987	25-33
SCE 8-009	9102	USBRN 5-988	25-34
SCE 8-010	9103	USBRN 5-989	25-35
SCE 8-011	9104	USBRN 5-990	25-36
SCE 8-012	9105	USBRN 5-991	25-37
SCE 8-013	9106	USBRN 5-992	25-38
SCE 8-014	9107	USBRN 5-993	25-39
SCE 8-015	9108	USBRN 5-994	25-40
SCE 8-016	9109	USBRN 5-995	25-41
SCE 8-017	9110	USBRN 5-996	25-42
SCE 8-018	9111	USBRN 5-997	25-43
SCE 8-019	9112	USBRN 5-998	25-44
SCE 8-020	9113	USBRN 5-999	25-45
SCE 8-021	9114	USBRN 6-000	25-46
SCE 8-022	9115	USBRN 6-001	25-47
SCE 8-023	9116	USBRN 6-002	25-48
SCE 8-024	9117	USBRN 6-003	25-49
SCE 8-025	9118	USBRN 6-004	25-50
SCE 8-026	9119	USBRN 6-005	25-51
SCE 8-027	9120	USBRN 6-006	25-52
SCE 8-028	9121	USBRN 6-007	25-53
SCE 8-029	9122	USBRN 6-008	25-54
SCE 8-030	9123	USBRN 6-009	25-55
SCE 8-031	9124	USBRN 6-010	25-56
SCE 8-032	9125	USBRN 6-011	25-57
SCE 8-033	9126	USBRN 6-012	25-58
SCE 8-034	9127	USBRN 6-013	25-59
SCE 8-035	9128	USBRN 6-014	25-60
SCE 8-036	9129	USBRN 6-015	25-61
SCE 8-037	9130	USBRN 6-016	25-62
SCE 8-038	9131	USBRN 6-017	25-63
SCE 8-039	9132	USBRN 6-018	25-64
SCE 8-040	9133	USBRN 6-019	25-65
SCE 8-041	9134	USBRN 6-020	25-66
SCE 8-042	9135	USBRN 6-021	25-67
SCE 8-043	9136	USBRN 6-022	25-68
SCE 8-044	9137		

S&WT	6-7-89	USPDC	85% 95
S&WT	Y-109	USPIC	85% 95
S&WT	6-7-79	USRH	85% 95

[illegible]

SIDin 6598	78%	Utop 10-83	106	Brutal	1,222,900	15%	14%	15%	+42
SIDin 9,2904	104%	Utop 10-85	105%	Exxon	1,214,700	107%	66%	68%	+12
SIDin 7,589	100%	Utop 8-80	91%	Enxos	1,155,300	108%	8%	10%	+1

[illegible]

Sumco 5597	52 1/2	1977 same week	106,094,220 shares
Sumco 74402	97 1/4	1978 to date	2,184,272,504 shares
Cumco 6073	26 1/2	1977 to date	1,843,085,447 shares

Sunshine 1:30P	91%	WEHF 5:50P	91%	1976 No date	2,334,205,438 shares
Surf 6:30P	88%	WVBT 6:30P	88%		
Dragnet 4:45P	87%	WVSH 6:50P	87%		
TRF 9:00P	86%	WVAF 5:45P	86%		
TRF 9:30P	80%	WVBT 10:00P	80%		
Tate 5:30P	11%	WVAF 7:25P	9%		
Tate 11:00P	57%	WVBC 7:25P	97%		
Tate 11:30P	57%	WVAF 9:00P	97%		
Tate 11:55P	57%	WVBC 9:00P	97%		
Tate 12:00P	57%	WVAF 10:00P	97%		
Tate 12:30P	57%	WVBC 10:00P	97%		
Tate 12:55P	57%	WVAF 11:00P	97%		
Tate 1:00P	57%	WVBC 11:00P	97%		
Tate 1:30P	57%	WVAF 12:00P	97%		
Tate 1:55P	57%	WVBC 12:00P	97%		
Tate 2:00P	57%	WVAF 1:00P	97%		
Tate 2:30P	57%	WVBC 1:00P	97%		
Tate 2:55P	57%	WVAF 2:00P	97%		
Tate 3:00P	57%	WVBC 2:00P	97%		
Tate 3:30P	57%	WVAF 3:00P	97%		
Tate 3:55P	57%	WVBC 3:00P	97%		
Tate 4:00P	57%	WVAF 4:00P	97%		
Tate 4:30P	57%	WVBC 4:00P	97%		
Tate 4:55P	57%	WVAF 5:00P	97%		
Tate 5:00P	57%	WVBC 5:00P	97%		
Tate 5:30P	57%	WVAF 6:00P	97%		
Tate 5:55P	57%	WVBC 6:00P	97%		
Tate 6:00P	57%	WVAF 7:00P	97%		
Tate 6:30P	57%	WVBC 7:00P	97%		
Tate 6:55P	57%	WVAF 8:00P	97%		
Tate 7:00P	57%	WVBC 8:00P	97%		
Tate 7:30P	57%	WVAF 9:00P	97%		
Tate 7:55P	57%	WVBC 9:00P	97%		
Tate 8:00P	57%	WVAF 10:00P	97%		
Tate 8:30P	57%	WVBC 10:00P	97%		
Tate 8:55P	57%	WVAF 11:00P	97%		
Tate 9:00P	57%	WVBC 11:00P	97%		
Tate 9:30P	57%	WVAF 12:00P	97%		
Tate 9:55P	57%	WVBC 12:00P	97%		
Tate 10:00P	57%	WVAF 1:00P	97%		
Tate 10:30P	57%	WVBC 1:00P	97%		
Tate 10:55P	57%	WVAF 2:00P	97%		
Tate 11:00P	57%	WVBC 2:00P	97%		
Tate 11:30P	57%	WVAF 3:00P	97%		
Tate 11:55P	57%	WVBC 3:00P	97%		
Tate 12:00P	57%	WVAF 4:00P	97%		
Tate 12:30P	57%	WVBC 4:00P	97%		
Tate 12:55P	57%	WVAF 5:00P	97%		
Tate 1:00P	57%	WVBC 5:00P	97%		
Tate 1:30P	57%	WVAF 6:00P	97%		
Tate 1:55P	57%	WVBC 6:00P	97%		
Tate 2:00P	57%	WVAF 7:00P	97%		
Tate 2:30P	57%	WVBC 7:00P	97%		
Tate 2:55P	57%	WVAF 8:00P	97%		
Tate 3:00P	57%	WVBC 8:00P	97%		
Tate 3:30P	57%	WVAF 9:00P	97%		
Tate 3:55P	57%	WVBC 9:00P	97%		
Tate 4:00P	57%	WVAF 10:00P	97%		
Tate 4:30P	57%	WVBC 10:00P	97%		
Tate 4:55P	57%	WVAF 11:00P	97%		
Tate 5:00P	57%	WVBC 11:00P	97%		
Tate 5:30P	57%	WVAF 12:00P	97%		
Tate 5:55P	57%	WVBC 12:00P	97%		
Tate 6:00P	57%	WVAF 1:00P	97%		
Tate 6:30P	57%	WVBC 1:00P	97%		
Tate 6:55P	57%	WVAF 2:00P	97%		

bi has faced up
rapidly growing
both domestically

Our democracy

Established in 1968, the

12-66 Established in 1966, the
National Bank of Abu Dhabi
Sheikh Khalifa Street,
Abu Dhabi.

has developed as the leading bank in the United Arab Emirates. Services extend from managing and participating in Eurocurrency loans and Eurobond issues, Foreign exchange, Trade finance and Personal domestic banking.

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London City Branch: 30 Bishopsgate
London EC2N 4AS
Telephone: 01-626 8961
Telex: 8012085 Masrafjg

PROFITS (Lk million) Cables: Masrafity

Location	Number of Employees
Beirut	18.1
Cairo	7.4
Kuwait	14.4
Muscat	49.4
Port Said	178.1

1977 1978 1979 1980 1981 1982

بكره اذ غطاه الله

١٠٠

ABU DHABI
"The businessman's bank"

Journal of Interpersonal Violence 26(10) 1978-1997
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How the National Bank of Abu Dhabi has faced up to the challenges of operating in a highly competitive market.

Balance Sheet at 31st December 1977

ASSETS	1977	1976	12-68	Established in 1966, the National Bank of Abu Dhabi	Sheikh Khalifa Street, Abu Dhabi.
--------	------	------	-------	--------------------------------------------------------	--------------------------------------

Share Capital	LOANS AND ADVANCES (Dh million)	PROFITS (Dh million)	Cables Mileage
Authorized, issued and fully paid 1,000,000 ordinary shares of Dh 100 each	2,745	96.1	Extensive branch network in the
100,000,000	100,000,000		

[illegible]

	1978	1979	1980	1981	1982	1983	1984	1985	1986
Subordinated long term loan from the majority shareholder	779,900,000								
Government loans									
Current, deposit and other accounts	153,750,000	4,500,000							
Unrecorded dividend	12,669,678,660	7,093,961,938							

Auditors: Whimney Murray & Co. Dh 14,805,764,325 Dh 7,367,163,308

report and Accounts, please contact our Head Office, Sheikh Khalifa Street, Abu Dhabi or our City Branch, 90 Bishopsgate, London EC2N 4AS.

...and the fact that the *Journal* is a journal of the American Psychological Association, the largest and most prestigious of the psychological organizations in the United States, is a source of great pride for me.

Over-Counter Market

[illegible]

Elysées Rond Point is one of the most prestigious multi-million pound commercial developments in Europe and is designed to the most exacting standards of discerning international clients.

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Elysées Rond Point



UAP / HERON

Sole Agents:
Richard Ellis S.A.
17 rue de la Baume 75008 Paris Tel 225 2780 Telex 290370



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Atmosphere



Dfls. 50,000,000.--
6 1/2% Bearer Notes 1973 due 1977/1980
of

MALAYSIA

*Second annual redemption instalment
(Redemption Group No. 2
fall due on June 15, 1977)*

As provided in the Terms and Conditions Redemption Group No. 1, amounting to Dfls. 12,500,000, has been drawn for redemption on June 15, 1978 and consequently the Note which bears number 1 and all Notes bearing a number which is 4, or a multiple of 4, plus 1 are payable as from

June 15, 1978

at
Algemene Bank Nederland N.V.
(Central Paying Agent)
Amsterdam-Rotterdam Bank N.V.
Bank Mees & Hope NV
Pierson, Helderling & Pierson N.V.
in Amsterdam;
N. M. Rothschild & Sons, Limited
in London;
Kredietbank S.A., Luxembourgeoise
in Luxembourg;
Algemene Bank Nederland (Genève) S.A.
in Geneva;
Algemene Bank Nederland in der Schweiz AG
in Zurich.

April 26, 1978

Chicago Options Table

[illegible]

We've got news for you.

DFIs. 30.000.000.—

As provided in the Terms and Conditions Redemption Group No. 3, amounting to Dfls. 7,500,000, has been drawn for redemption on June 15, 1978 and consequently the Note which bears number 3 and all Notes bearing a number which is 4, or a multiple of 4, plus 5 are payable as from

April 26, 1978

CORUM.
Artisans d'Horlogerie Fine

(a weekly list of non-dollar-denominated issues)

Australia \$2.89	102.25	Swed 51ole 9 1/4-85 . . .	109.75 110.75
B7osilien 7 1/4-84. . . .	104.00		
Brasilien 4 7/8-85	89.80		Canadian Dollars

Manitoba 9 1/2-85	99.50	100.25
Raybi Canada 9 1/2-88	100.75	101.25
General 8 1/2-80	99.50	100.00

E.W.G. 7-83.....	108.00		
Finnland 7-87.....	102.75	S. Africa 8-86.....	98.50 100.00
Forsmarks 5-90.....	98.25	E.N.E.L. 7-86.....	100.00 101.00

IC 18-87.....	103.80	BASF 7-07	89.00	90.00
King of Denmark 6-88 ..	100.50	CNA 9-07.....	99.50	100.50
King of Denm 5-84...	100.70	CECA 10-82	98.75	100.75

Newseeland \$14-86	101.00	Peugeot 10-83.....	99.75	100.75
Norg Kommunalbk 6-89 .	100.70	Quebec Prov 7 1/2-87.....	83.25	84.25
Norline 6-89	100.75	Rhone-Poulenc 10-80	100.00	101.00

Quebec Hydro 6 1/4-87	100.50	ABN 9 1/2-79	103.50	104.25
Sanka Steamship 8 1/2-84	103.25	AMRO 9 1/2-79	103.25	104.00
Sanka Steamship 7-84	104.00			

Weilbank \$14.90	98.25	Governor 4-77	77.25	100.00
		Holl Inn 6-72-79	100.00	100.75
Unity of Account		KLM 6-79	99.50	100.25
		100.00	100.00

E.S.B. (Ir) 0 1/4-86	133.50	-	Luxembourg Francs		
Escom 8 1/4-86	132.00	-			
Manitoba 7-89	133.50	-	Asian Bank 6 1/4-87	93.00	95.00

Conroute 9-89	105.75	106.75	Finland 7-87	91.00	92.00
Cap City 8 3/4-86	107.50	108.50	ISE 6 1/2-87	94.00	95.00
Cap City 9 1/4-85	108.50	109.50	Reed 6 3/4-87	86.50	88.50

G.T.S. 4-83	105.50	108.50
Helsinki 10-83	110.00	-
Iceland 04-88	103.50	104.50

Ireland 7% 82	108.00	107.00
Ireland 9% 84	106.50	107.50
K.L.I. 7% 93	102.50	103.50

NYSE Averages

1951	58.93	57.32	58.43	+0.15
1952	44.14	43.72	44.00	+0.51

Transp.	14.20	13.73	14.02	0.03
Utili.	52.49	51.50	51.85	8.37

Transo	227.45	220.43	224.78	-0.20
Units	107.10	104.47	105.85	0.51
Camb.	292.14	281.83	286.73	1.75

100-10650 31 12 54 : 101100111 40 : 69 184 194- 2

GuamlyFns	28	5%	8	LifeLineEast 50e	2	2%
Incmlle	43	24%	75% + 1%	LifeLineCo 130	21	28% 29
IntlIGro 34	187	82%	43% + 1%	LifeLineInc 16	67	10% 11%

States 1 60	17 1/2	17 1/2	Merrill 1 48	26 1/2	26 1/2
Underwrite 44	17 1/2	17 1/2	Am. Nat'l 10	26 1/2	26 1/2
Am. Nat'l 10	17 1/2	17 1/2	Am. Nat'l 10	26 1/2	26 1/2

Gene/Lig	1d	15	NotLifeFla 20	30	7d	8d
expkLIA 74	41a	52a + 1a	NotOldLine 22.	30	71c	72a
expkLIB 24	41c	51a	NotResrvLI	39	141a	15 + 1

AmLife 1.24	15	19	20	1	NowSNGSLf 88	27	25	25
mStallfe 20	5	5	6	1	OhCasualty 112	317	24	24

allGenCo #2	67	46	48	Pers Life	412	54
allowg1	15	23	23	ProtectiveLife 1.20	292	307
crisiorNY 80	7	11	13	ProvLifeAcc 1.08	33	42

ColonyLife 54	13	15½	16½	StPaulCos 140	274	33%	34% +
ContiLife 32		10¾	11½	Secur&MLe 60	1	14	14%
ExecCo	75	11	13	SecurComm 105	49	12½	18½

Reinsur 260	104	166	170	+1	SowsInLife 72	202	19	191	-1
WashInCo	4	17	21		SovereignCo 95r	145	5	53	+1

UninCb 104	50	29%	29%	UnlDiversid	14	14
UnInNor	172	14	14% + 1.2	UnFireCnsil 80	5	22% 22% - 1.2
UnInns 36	583	29	29% + 1.2	UnlLibryLi 250	8	8% 9%

rhIncl.00	2	15%	16	Windsor Lie	58	2%	3%	4%
fehldng	2	3%	3%	wridSvCLie	21	5%	5%	
terllKy.24	3	11%	12	ZenithMoi Inss	2	18%	16%	

May 8, 1978

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

an Investment Management Department

International Bond Department

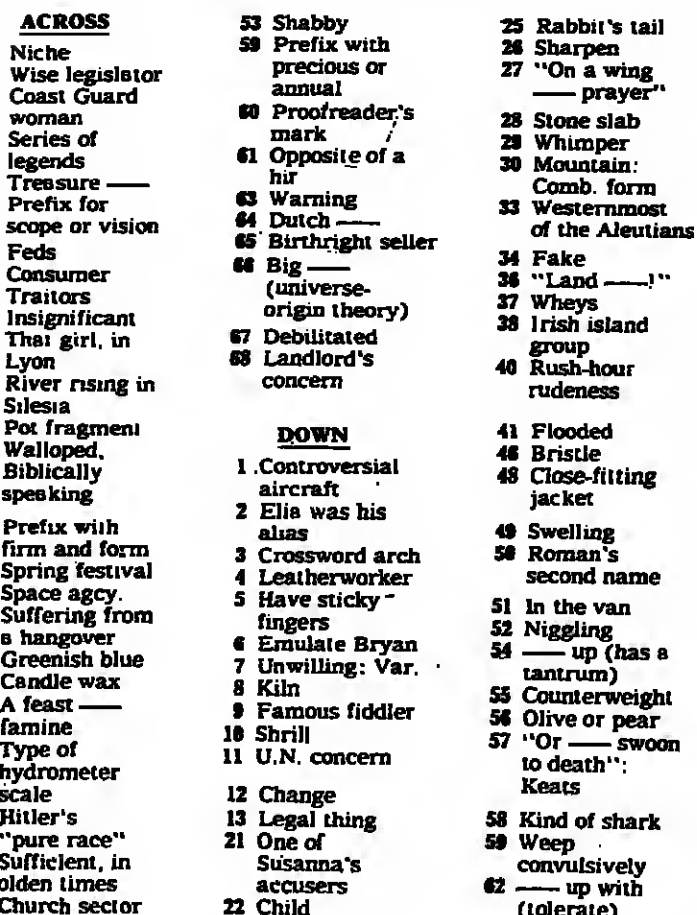
ASTMAN DILLON & Co.

[illegible]

1. *Journal of the American Medical Association*, 1997; 277: 1033-1038.

Herald Tribune

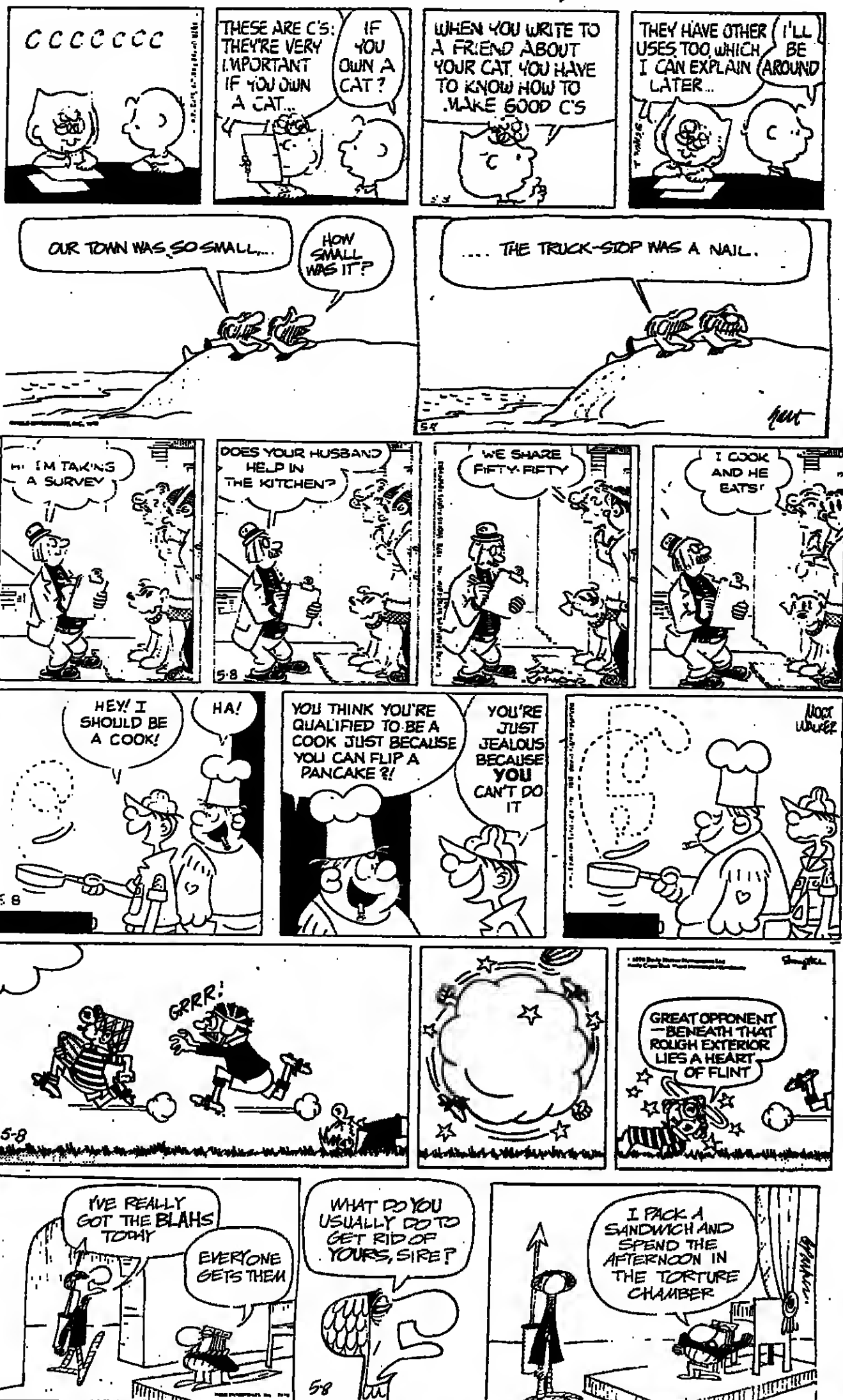
By Eugene T. Maleska



Closing Prices May 5, 1978

[illegible]

J



THOMAS HARDY'S LATER YEARS

Reviewed by Margaret Drabble

ALAS FOR Thomas Hardy, and for his devout admirers, among whom I have since childhood numbered myself. He was simply not a very nice man, and, as Robert Gittings's excellent biography, "Thomas Hardy's. Later Years" devastatingly reveals, he got worse and worse. One of his closest friends, Edward Clodd, otherwise known for his generosity and loyalty, was said for an epitaph that he "was a great laborer; he was not a great man; there was no largeness of soul."

Gittings's account—the companion volume to his earlier "Young Thomas Hardy"—reveals again and again how true this was, and the list of character traits in the index makes, in itself depressing reading—"egocentricity, touchiness, superstition, close-fistedness, class-consciousness, suspiciousness, impatience of literary criticism"—these weigh heavily against "fondness of and concern for animals" and occasional "tenderness."

The great man, who saw himself as seer and prophet of the age, was in his personal and domestic relations petty, selfish and self-serving, so inconsiderate as a husband that his first wife, Emma (by no means as mad as some biographers have portrayed her), remarked to his wife-to-be, Florence, that he looked uncannily like the notorious murderer, Dr. Crippen, and speculated that her body might be found buried in the cellar at Max Gate. Hardy was no murderer, but he was culpably indifferent to his wives' "Jude the Obscure," that fine account of the tragedy of a self-educated man, stooping to malicious fury when critics and biographers commented on Hardy's own lack of formal education? How could such art grow out of such dishonesty?

Gittings flinches from none of these lines of inquiry, and comes up with a curious and compelling portrait. Hardy, as he says, was honest to the point of bleakness in his poetry, and certainly way beyond the point of considering the feelings of his two wives, both of whom reacted with pain to his magnificent later volumes of verse.

By a strange paradox, Hardy's later flowering as a poet, after abandoning novels in 1895 with "Jude," reveals him not as a man who has weathered into hard-won maturity, but as a "permanent adolescent," with no inkling of the pain he caused others, who sought for women, passionate though they were, until he was in his eighties, never developed beyond a certain stage of arrested enthusiasm. He could write better of the dead than of the living, of the distant than of the present. While Emma was alive, he offended her by celebrating the memory of his first wife, Sissy, and the existence of the literary and artistic ladies with whom he carried on inconclusive flirtations. After Emma's death, he offended Florence by his outpouring of poetry to Emma, and his insistence on revisiting the places where they had first met and loved.

health, and when Emma died after a long and painful illness, he did everything to conceal his neglect, to the extent of rewriting any poems that might have suggested that he was aware of her suffering.

Gittings's detective work uncovers almost criminal self-absorption, and a meanness unforgivable and almost incomprehensible in the wealthiest writer in Britain: He made Florence pay for her own operations and stays in nursing homes, and of her small personal savings. The meanness, of course, is not quite incomprehensible, for Hardy was a peasant, much as he tried to conceal his origins, and he retained some of the less pleasant attributes of his background—a willingness to

Yet Florence had herself been one of those envied literary ladies more desired at a distance than is the unenviable role of housekeeper at dark, dismal, inconvenient Ma Gate. While he was wooing her Hardy was kind enough to her considerate of her ailments, willing to pass off his own work over his signature in order to promote her career. Poor Florence was trapped as in a spider's web by these ear-favors, and Gittings recounts with insight and sympathy her struggle with the ghost of her prelexus despised in life, hallowed in death. No wonder Florence was not sur whether Emma had been a monster, a mad woman or a poor victim like herself.

There is a heartbreaking pathos in the account of Florence's marriage. As Hardy, despite ill health lived on, stubborn and indomitable, she grew weaker, ageing rapidly. She caught his unpleasant characteristic of snobbery; she was compromised into agreeing to sign Hardy's own autobiography as his own work, although after his death she altered some of its grosser misrepresentations, particularly the part that tried to pass her off as Emma's friend rather than Hardy's mistress.

Sadness of circumstance, life's little humiliations, how well her own life was shadowed with these, what a true comedy was enacted at Melbury House, where the Grand Old Man's English letters held his penny court. Much of the tale is summed up by Gittings's account of her humble and vicious dog, Wessex, &

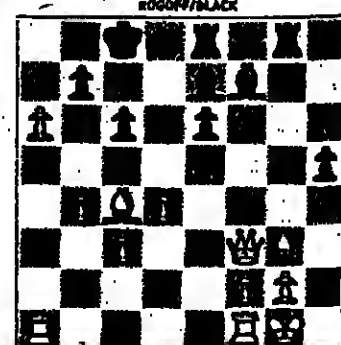
Solution to Friday's puzzle

I	R	I	S	L	I	N	G	S	O	R	E	
W	A	I	S	E	A	L	O	N	E	C	A	T
E	R	A	S	E	R	A	S	E	R	A	S	
O	M	P	I	N	E	N	E	S	H	A	R	
T	A	L	C	S	T	I	N	G				
E	N	O	A	T	A	I	T	E	N	S	A	
N	E	R	E	R	O	N	E					
A	S	I	A	S	E	R						
N	A	T										
S	T	O	O	L	E							
S	T	O	O	L	E							

whom both the Hardy, dotted, the alarm of the neighborhood on the peril of the postmen. When it died, she wrote, "He was only dog, and not a good dog always but *thousands* factually thousands of afternoons and evenings I would have been alone but for him." "S have" the greatest literary list. Will the novels ever look quite the same again?

By Robert Byrni

The eighth annual Louis D. Statham International Tournament in Lone Pine, Calif., was won by Grandmaster Bent Larsen of Denmark with a 7½-1½ score. After a first-round loss to Jonathan Speelman of England, Larsen won seven games and conceded one draw, to Grandmaster Lev Polugaevsky of the Soviet Union, to capture the \$12,000 first prize.



Polugaevsky won five games and drew four to tally 7-2, taking the \$7,500 second prize in this 68-player, nine-round Swiss-system event.

Grandmasters Lajos Portisch of Hungary and Anatoly Lein of Cleveland shared third prize with International Master John Peters of the United States, each receiving \$3,267.

Grandmaster Tigran Petrosian of the Soviet Union and Larry Evans of Reno, Nev., tied for sixth place with International Masters Kenneth Rogoff of the United States and Hans Ree of the Netherlands and Master Vitaly Zaltsman of New York.

In the last round, while Polugaevsky allowed his chances for a first-place tie to go down the drain by taking a cautious draw with Lein, Larsen crushed Rogoff with a new gambit against the Caro-Kann Defense.

Larsen's 7 N-K5 was directed against the development of the black's Q8; thus, 7...B-B4?; 8 P-Q3, P-K3? led to a disaster for Black in the game Karpov-Hort, Jugoslo, 1978, after 9 P-KN4, B-K3 10 Q-K4, P-KR4; 11 P-N5, N-Q4; 12 K-R6, P-N3; 13 Q-B2, K-Q2; 14 R-R3.

Rogoff's 7...N-Q2; 8' B-KB4, N-KN; 9 BxN has been considered a ...Q-Q4; 10 P-QB4, Q-K5ch; 11 Q-

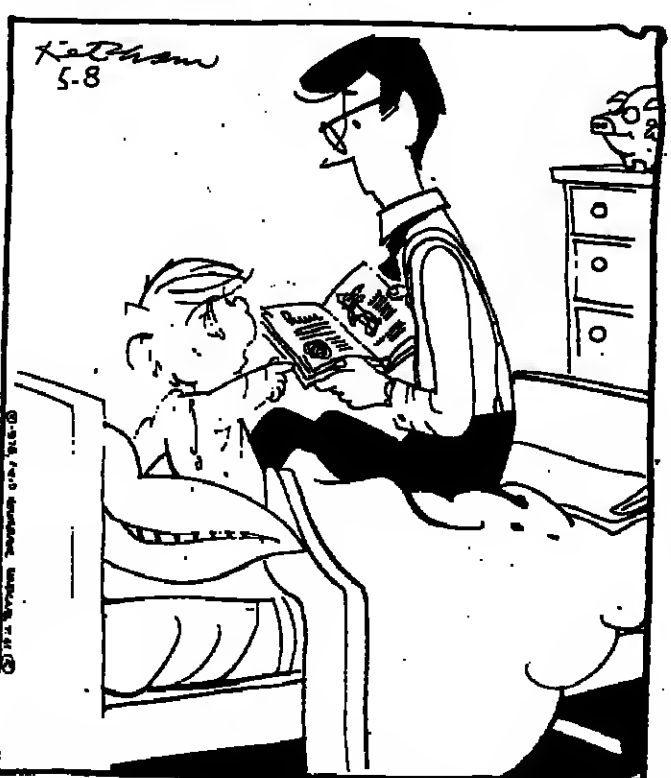
Consequently, Rogoff hoped, stir up counterplay on the kingside with 16...P-KR4 and 19...P-N4, 5 Larsen's attack came too quick with 20 P-R5, Q-Q1; 21 P-R6! After 21...KxRP, 22 P-Q1; 23 KxP, 23 Rxfh1, Rogoff saw 1 reason to continue with 23...Kf1 24 QxQBp, but then he saw that he would have been no defense to the doubt threat of 25 Q-R6-mate and 25 R-Rch, KN1; 26 R-R8-mate. He h to resign.

20 would produce an end game only slightly in White's favor. However, it may be that Larsen would have ventured a gambit with 10 B-Q2? Q-NP; 11 B-B3, Q-R6; 12 P-Q3?

13? In any case, after Rogoff's 9...Q-Q3, Larsen's gambit 10 B-Q3? was very strong, since accepted it by 9...Q-NP; 11 0-0 would have given Black enormous difficulty in

White	Black	White	Black
Larsen	Rogoff	Larsen	Rogoff
1 P-Q4	P-Q4	13 0-0	0-0
2 P-Q4	P-Q4	14 P-Q4	0-0
3 P-Q4	P-Q4	15 P-Q4	0-0
4 P-Q4	P-Q4	16 P-Q4	0-0
5 P-Q4	P-Q4	17 P-Q4	0-0
6 P-Q4	P-Q4	18 P-Q4	0-0
7 P-Q4	P-Q4	19 P-Q4	0-0
8 P-Q4	P-Q4	20 P-Q4	0-0
9 P-Q4	P-Q4	21 P-Q4	0-0
10 P-Q4	P-Q4	22 P-Q4	0-0
11 P-Q4	P-Q4	23 P-Q4	0-0
12 P-Q4	P-Q4	24 P-Q4	0-0

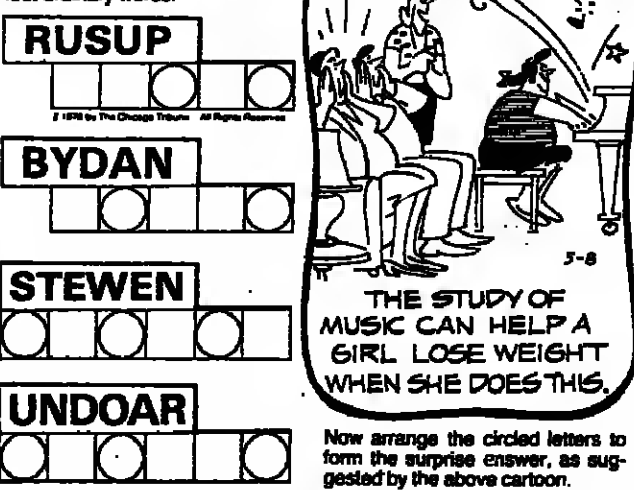
DENNIS THE MENACE



*YOU'RE READIN' PINOCCHIO IN BLACK-AND-WHITE...
CAN'T YA PUT SOME **COLOR** INTO IT?*

JUMBLE THAT SCRAMBLED WORD GAME

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.



Print answer here:

Saturday's | Jumbles: **TONIC WAFER BUKINI PAROLE**
 Answer: **What seven days of dieting make—**
ONE "WEAK"

"Registered as a newspaper at the Post Office"
"Printed in Great Britain"

"Registered as a newspaper at the Post Office"
"Printed in Great Britain"

Rose Singles for 3,000th Hit

CINCINNATI, May 7 (AP)—Cincinnati's Pete Rose has become the 13th player in major league history to reach the 3,000-hit mark.

It was the second hit in the game against Montreal on Friday for the 37-year-old Rose, in his 16th season. He got No. 2,999 in the third inning on a high chopper back to the mound that Rogers was unable to field cleanly. In the fifth, the switch-hitting Rose, batting left-

handed, lined a 1-0 pitch over the shortstop into left field for the milestone hit.

The crowd gave Rose, a Cincinnati native, a standing ovation for five full minutes and his teammates on the Reds left the dugout to congratulate him at first base. He was officially presented the milestone ball by Montreal first baseman Tony Perez, a former teammate

and long-time friend who broke into pro ball with Rose in 1960.

Photographers poured from the dugout positions to record the scene as Perez congratulated Rose.

After Rose's milestone hit, his family was besieged by photographers and well-wishers in their seats behind home plate. Standing at first base, Rose waved several times to the crowd, which had been standing when he left the dugout to

make his third appearance at the plate. The crowd continued to applaud even after the next batter, Ken Griffey, approached the plate and Griffey waited until the ovation died down before preparing to bat.

The Reds were trailing 3-1 when Rose recorded his 3,000th hit. He failed to hit his first time at bat. The all-time hit list is headed by Ty Cobb, who had 4,191. Others who reached 3,000 were Hank Aaron, 3,771; Stan Musial, 3,630; Tris Speaker, 3,515; Honus Wagner, 3,430; Eddie Collins, 3,311; Willie Mays, 3,283; Nap Lajoie, 3,251; Paul Waner, 3,152; and Cap Anson, 3,081.

Rose came into the season needing just 34 hits to reach the 3,000 plateau. After last season, during which he batted .314 and had 204 hits, he totaled 2,966 lifetime.

Rose broke into the majors with Cincinnati in 1963 as a second baseman after playing one year each with three minor league clubs—Geneva, N.Y., Tampa, Fla., and Macon, Ga.

Rose, whose uncle was a scout for the Reds, was the league's Rookie of the Year in 1963 and won his first NL batting title in 1968 with a .335 average. He won the batting crown two more times, hitting a career-high .348 in 1969 and .338 in 1973.

He has the distinction of getting the last hit at old Crosley Field here—a triple off San Francisco's Juan Marichal—and the first hit at the new Riverfront Stadium—a single off Pat Jarvis of Atlanta—both in 1970.

Rose reached the 1,000-hit plateau in 1968 with a single off Dick Selma of the New York Mets at Crosley Field. He got his 2,000th hit in 1973 with a single off San Francisco's Ron Bryant at Candlestick Park and No. 2,500 came at Riverfront in 1975 against Bruce Kison of Pittsburgh.

Rose passed Frankie Frisch as the all-time leader among switch-hitters in 1977 with his 2,881st hit in St. Louis.



Pete Rose takes off for first on 3,000th hit.

Brewers Rally to Defeat Royals, 4-3

MILWAUKEE, May 7 (UPI)—The Brewers overcame a 3-0 deficit in the ninth inning on Sal Bando's three-run homer and a bases-loaded walk to Gorman Thomas yesterday to hand the Kansas City Royals their fifth straight loss, 4-3.

Bando's third home run of the season tied the game after Kansas City starter Paul Splittorff allowed a single to Paul Molitor and a walk to Dick Davis. The home run came off of Doug Bird, who then walked inside and gave up singles to Sixto Lezcano and Cecil Cooper.

At Hrabosky replaced Bird and walked Thomas on a 3-1 pitch, making Brewers' starter Larry Sorensen, 3-2, the winner. Darrell Porter's fourth home run of the season, his third in the last five games, had given Kansas City a 3-0 lead in the seventh. The Royals had scored a run in the fifth on Frank White's squeeze bunt and another in the second on a throwing error by Molitor.

Twins 8, Orioles 7

At Baltimore, Rod Carew unloaded a bases-loaded triple, his fourth hit of the game, to highlight a seven-run ninth inning that enabled Minnesota to beat Baltimore, 8-1.

Mariners 6, Blue Jays 0

At Seattle, Paul Mitchell scattered seven singles and Julio Cruz, Steve Braun and Bill Stein drove in two runs each to lead Seattle to victory over Toronto. Mitchell walked two and struck out four in recording his first shutout and second complete game of the year.

Angels 7, Indians 3

Run, fairly hit a two-run homer in the first inning and pinch-hitter Merv Rettenmund cracked a grand slam in the seventh to spark the California victory over Cleveland. Chris Knapp went 8½ innings to get his fourth win in six decisions. Paul Dade homered for Cleveland.

Rangers 9, Yankees 5

At New York, Bump Wills' bases-loaded double keyed a five-run third inning that helped Texas end New York's five-game winning streak. Wills doubled off reliever Sparky Lyle to score Bobby Thompson and Jim Sundberg, giving Texas a 6-1 lead and sending the Rangers toward the eighth win in their last nine games.

Red Sox 6, White Sox 4

At Boston, Jim Rice, who drove in three runs in the first game, helped a two-run homer in the nightcap to back the seven-hit pitching of Jim Wright in his first major-league start, enabling Boston to sweep Chicago. Rice hit his eighth home run of the season in the fourth inning of the second game, scoring Rick Burleson, who had doubled. Wright allowed two hits in only one inning—the fifth. It was his first major-league win. Boston won the first game 6-5 in 10 innings on a two-run homer by Dwight Evans.

Tigers 6, A's 0

At Oakland, Bob Skyes fired a four-hitter and Detroit backed him with a 15-hit attack in the Tigers' rout of Oakland, snapping the A's five-game winning streak. All the hits off Skyes, a young left-hander brought up from the minors earlier in the week, were singles and the Oakland player got as far as third. Skyes walked three and struck out none.

In the National League:

Reds 6, Expos 2

At Cincinnati, Pete Rose began his pursuit of the next 1,000 hits. Rose added two hits—including a

double during a four-run second inning that lifted Cincinnati to a 6-2 victory over Montreal and earned Tom Seaver his first win in seven starts this season. Rose, who became the 13th major league player to reach the 3,000-hit mark with this Friday night, helped push the Reds to a big lead in the second.

Pirates 3, Dodgers 2

At Pittsburgh, Willie Stargell hit a two-run single and Grant Jackson posted the first save of the season by a Pittsburgh pitcher as the Pirates beat Los Angeles, 3-1.

Cardinals 1, Padres 0

At St. Louis, John Denny pitched a two-hit shutout for his third win of the season and Garry Templeton singled in the only run in the seventh inning as the Cardinals blanked the Padres.

Braves 2, Astros 1

At Atlanta, Jerry Ruster drove in Rod Gilbreath with a bases-loaded single with home out in the 10th to give Atlanta the victory over Houston as four pitchers combined on a three-hitter.

Phillies 7, Mets 2

At Philadelphia, Greg Luzinski drove in four runs with a double, homer and sacrifice fly helping the Phillies hand the Mets their 10th loss in the last 12 games. Steve Carlton, 3-3, earned the victory while Pat Zachry, 3-1, gave up six runs in the first two innings.

Expos Beat Cincinnati With Five-Hitter

CINCINNATI, MAY 7 (AP)—Montreal's Steve Rogers allowed only five hits—one of them Pete Rose's 3,000th—in pitching the Expos to a 4-3 victory over the Reds on Friday.

Home runs by Ellis Valentine and Larry Parrish led Montreal's attack. Parrish also had a run-scoring single in the eighth inning which gave the Expos a 1-0 lead, enough of a margin to offset Dan Driessen's two-run homer for the Reds in the bottom of the eighth.

The game was held up for five minutes after Rose reached his milestone as the crowd of 37,823 at Cincinnati's Riverfront Stadium gave him a standing ovation. The last player to reach the 3,000-hit mark was Al Kaline in 1974.

Braves 5, Astros 2

At Atlanta, Tommy Boggs hit his first major league home run and recorded his first National League victory as Atlanta defeated Houston, 5-2. Boggs had a 1-11 record during two seasons with Texas in the American League before the Braves acquired him in a trade. He worked seven innings, allowing five hits, before being relieved by Buddy Jay Solomon.

Dodgers 7, Pirates 2

At Pittsburgh, Dusty Baker hit a two-run homer as Los Angeles jumped on Pittsburgh's Bert Blyleven for five runs in the first inning and coasted to a 7-2 victory over the Pirates behind Burt Hooton's seven-hit pitching.

Padres 2, Cardinals 1

At St. Louis, San Diego's Mike Champion singled home a run in the second inning and Oscar Gamble tripled home another in the third to lead the Padres to a 2-1 victory over St. Louis.

Phillies 9, Mets 4

At Philadelphia, rookie Jim Morrison, filling in for

delaria, 2-4, who had taken a five-hitter into the ninth, gave up a pinch-hit home run to Lee Lacey to open the inning and was replaced by reliever Kent Tekulve.

Phillies 7, Mets 2

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At St. Louis, John Denny pitched a two-hit shutout for his third win of the season and Garry Templeton singled in the only run in the seventh inning as the Cardinals blanked the Padres.

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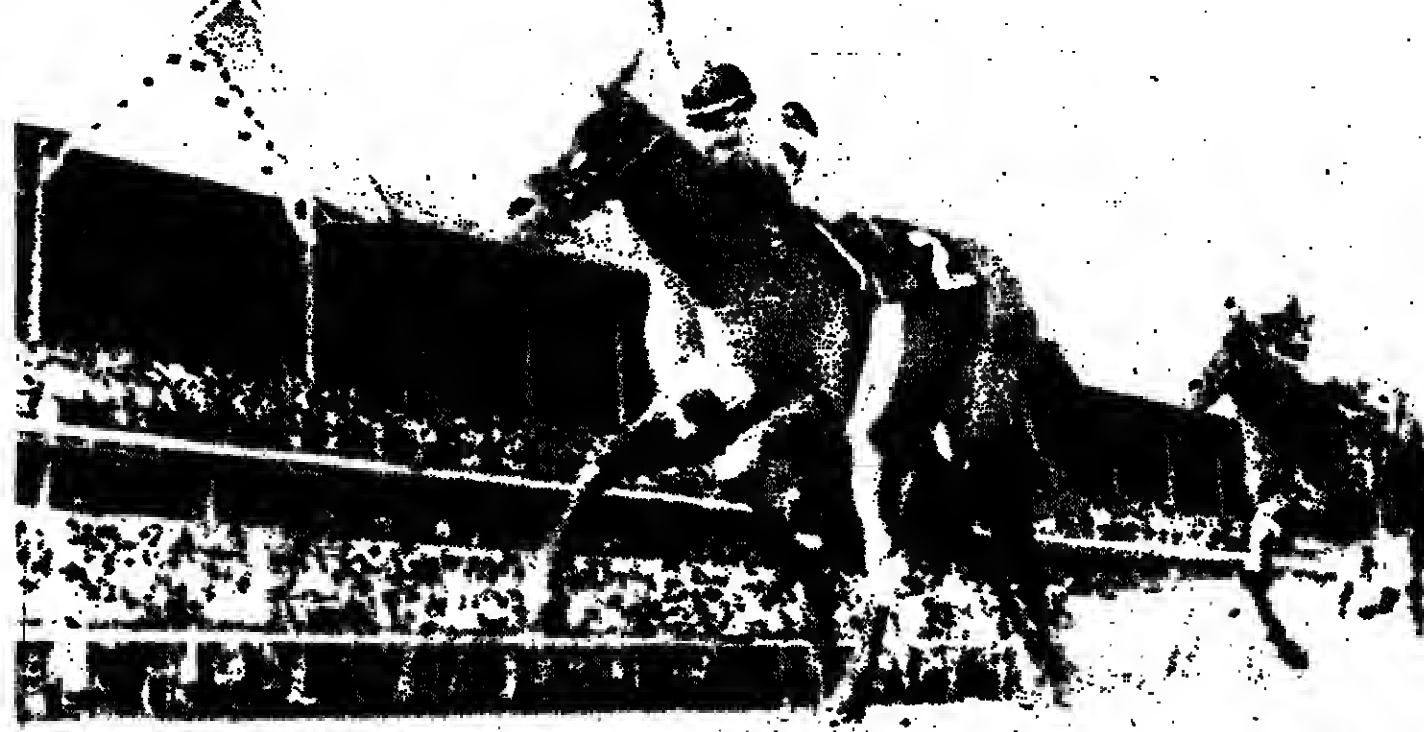
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Phillies 7, Mets 2

At Philadelphia, Greg Luzinski drove in four runs with a double, homer and sacrifice fly helping the Phillies hand the Mets their 10th loss in the last 12 games. Steve Carlton, 3-3, earned the victory while Pat Zachry, 3-1, gave up six runs in the first two innings.



Steve Cauthen rides Affirmed down home stretch to win 104th Kentucky Derby.

Affirmed Outruns Alydar in Kentucky

By Steve Cady

LOUISVILLE, Ky., May 7 (NYT)—A Kentucky Derby can have only one winning script, and the dramatic scenario in yesterday's running belonged to a golden colt named Affirmed and an 18-year-old jockey named Steve Cauthen.

In a tumultuous three-horse battle royal, at Churchill Downs, Kentucky-bred Cauthen brought his 3-year-old Florida-bred colt home a length-and-a-half ahead of Calumet Farm's favored Alydar, who led third-place Believe It by a length and a quarter.

They said it would be Affirmed or Alydar, just as it was last season in

their six close encounters as 2-year-olds, and that's how it went again. Through the final eighth-of-a-mile to their mile-and-a-quarter test, it was Affirmed's pink and black silks of Harbor View Farm ahead, and the famed devil's red and blue silks of Calumet gaining. "Here comes Alydar," thousands of fans in the crowd of 135,000 hollered.

"Keep going, Stevie," came the cry from thousands of others. "You got it."

Not Close Enough

Alydar went past Believe It, made up ground on Affirmed, but never was able to get close enough to hook him in the kind of head-to-head combat they waged last year.

Despite the fact that Affirmed had beaten Alydar four times last year and had never finished behind any other horse except that rival, he was sent off as the second choice at 9-5.

Alydar, the sentimental favorite because of the popularity of 85-year-old Mrs. Gene Markey, the Calumet owner, was also the betting choice at 6-5.

But it was the pro-Cauthen sentimentalists who got to spill a tear into their mint juleps as the youngster won the Derby on his first try. Two years ago around this time, Cauthen finished last here on a 136-1 longshot named King of Swat in the first ride of what would become a meteoric jockey career. Last season, the kid from Walton, Ky., became the first rider whose mounts earned \$6 million in a single year. And yesterday, he and Affirmed, and that colt's trainer, Laz Barrera, got the roses and silenced the skeptics who had said the chestnut colt had not been finishing his races as strongly as Alydar.

It was also vindication for 65-year-old Louis Wolfson, the controversial prettime financier who bred Affirmed, and for Wolfson's wife, the former Patrice Jacobs, whose father, the late Hirsch Jacobs, failed in nine Derby tries as a trainer.

Barrera, who had been saying all week his horse should be favored, had shown his confidence before the race when somebody told him, "May the best horse win." "Yeah," replied the 52-year-old trainer. "May the best horse win—again."

U.S., Cuban Fighters Win World Amateur Openers

BELGRADE, May 7 (AP)—Teofil Stevenson of Cuba and Tony Tubbs of the United States won their opening bouts in the heavy-weight division of the second World Amateur Boxing Championships today, setting the stage for a second-round confrontation.

Stevenson, a two-time Olympic gold medalist, easily beat Ghana's Joseph Mensan when a powerful punch opened a cut over Mensan's eye in the opening seconds of the first round. Mensan and retreated to his corner, forcing the referee to stop the fight.

Tubbs, 21, of Pasadena, Calif., gave a lackluster performance in outpointing Levai Istvan of Hungary. He moved slowly and methodically, keeping his distance despite having a height and reach advantage over the tough Hungarian.

Tubbs' footloose style was in complete contrast to Istvan's fast jabs, coupled with fancy footwork. There were doubts as the three-round bout came to an end that Tubbs had won. But the judges awarded him the narrow victory, setting the stage for his fight with Stevenson.

Tubbs earlier had expressed confidence that he could beat

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Luxembourg

Banking and Finance

Grand Duchy Paces Growth With Euromarket



An overview of Luxembourg Stadt.

Tax Packet Gives Relief To Bankers

By Darrell Delamaide

LUXEMBOURG (IHT)—Eurocenter Luxembourg is here to stay. The Grand Duchy's growth as an international financial center has kept pace with the mushrooming development of the Euromarket itself and now the Luxembourg market has reached a critical mass—it is important enough in its own right that it will survive as a market center.

This optimistic appraisal of banking in Luxembourg, shared by government officials and the banking community, is always accompanied by a warning, however. The legal and fiscal framework for foreign bank operations here must remain attractive enough in comparison with other Eurocenters that the banks will not take their business elsewhere.

Most U.S. banks already have decided that it is cheaper or more convenient to handle international activities in the Caribbean and newer offshore centers like Singapore. The tax package presented by the Luxembourg government last October marks an attempt to remedy some of the Grand Duchy's competitive disadvantages.

But the problems presented by even this modest effort indicate how hard the task can be and the vulnerability of the Euromarket operations here.

The fiscal package has granted relief that foreign bankers have long been seeking—particularly a tax break on foreign withholding taxes (to make up for Luxembourg's lack of double-taxation accords) and more generous provisions for risk reserves.

The government's proposals, though, fell short of what the bankers had hoped. Nevertheless, even though the measures only created conditions already present in London or Zurich, the package aroused suspicions in neighboring countries that Luxembourg was trying to create a tax haven, encouraging private investors to take their businesses to Luxembourg banks.

Luxembourg has never been a tax haven for foreign banks and certainly will not become one through the current proposals. But the reaction to these proposals and the removal of the 10 percent value-added tax (VAT) on gold trading.

(Continued on Page 4)

Eurex

Computer System Brings Automation to Trading

LUXEMBOURG (IHT)—Eurex, the ambitious European computerized market for Euro trading, continues Luxembourg's close involvement with the international capital markets. Initial business of the Eurex, of course, was in international bonds, with the credit and market activity developing rapidly. The Luxembourg quickly became the main clearing house for Eurobonds. Then Cedel started up as the clearing house for bond trading.

Luxembourg has never had a share of the secondary market which is conducted almost entirely over telephone and dealers and marketmakers in the national financial capital. The idea of using a computer to do the time-consuming (and expensive) task of matching bids and offers was taken up by the Luxembourg bourse and led to the formation last year of Eurex, a company owned by an international group of banks.

The plan is to program a system which will match user orders with the market-maker quotes, execute trades, confirm the exchange, clear the transaction. In the future, the system will be programmed to provide a running status on trades, yields, and development.

Though there are reservations among many bankers, especially in the U.S., Eurex seems clearly an idea whose time has come. It offers a long-range requirement for a worldwide market, comments Edmond Israel, managing director of Banque Paribas in Luxembourg and a member of the Eurex board. The project is in line with a direction, it has to be said, that the Luxembourg bourse, which is the main exchange for Eurobond listings, also grew registering a strong increase in new issues, albeit not quite so strong as in 1976. In

embourg is its physical location. The network extends throughout Europe and is plugged into its two rivals—Euroclear, the Brussels-based bond-clearing firm, as well as Cedel. Still, the banking community here welcomes the idea that Eurex will heighten Luxembourg's profile as a bond-trading center.

Cedel itself added two new services this year to become more competitive. At the beginning of the year, the clearing house introduced a plan enabling participating dealers to establish a credit line with certain banks. This standing overdraft facility matches a service already offered by Euroclear. But the Brussels firm was founded and is still operated by Morgan Guaranty, whereas Cedel, a separate incorporation, did not have this direct backing from a bank.

In March, Cedel arranged for the lending and borrowing of the bonds among participants. Lenders have a chance to earn extra interest on the bonds deposited with the clearing house, and borrowers have a quick way to cover short positions.

Cedel reports that both services are functioning well. The clearing organization also registered a gratifying growth for 1977. Turnover for the year rose to \$38.5 billion from \$29.7 billion the previous year. The number of participants rose to 847 from 766, and the number of issues in the system was up to 2,410 from 2,004. Deposits of securities rose to \$16.4 billion from \$11.9 billion. Profit was up 17 percent to \$566,000 and Cedel again paid a 5 percent dividend to its shareholders.

The Luxembourg bourse, which is the main exchange for Eurobond listings, also grew registering a strong increase in new issues, albeit not quite so strong as in 1976. In

(Continued on Page 5)

Foreign Banks: Europe Steps Up as U.S. Winds Down

LUXEMBOURG (IHT)—The decision of the California-based Wells Fargo Bank last year to transfer the bulk of its foreign exchange and money-market business from here to London left a sour taste in many Luxembourg mouths.

Other American banks, somewhat more discreetly as a rule, have also wound down their Luxembourg operations. With the exception of Bank of America and First National Bank of Boston, most U.S. bank branches and subsidiaries are treading water—"maintaining a presence."

On the other hand, Scandinavian banks, freshly liberated by their central banks, are streaming into Luxembourg (some with a gentle push in that direction from the authorities). Swiss banks have strengthened their presence and boosted their activities, and Italian banks are making their first steps into the market.

"I think many American banks don't know why they set up here," remarked one American. "They just wanted to be wherever there might be action."

The number of American banking operations swelled from six in 1970 to 17 by the end of 1973. At the end of 1977, but not even that properly indicates the decline of American activity in Luxembourg.

"If we were starting up now," confided the representative of a big

New York bank with a unit in Luxembourg, "we'd probably think twice about it."

For the Americans, the matter is simple—the corporate tax bite in Luxembourg makes genuine offshore centers like the Channel Islands, Nassau, or maybe eventually New York much more attractive for handling loan business.

No Leftovers

Americans concentrate their Euromarket activities in London and do not really have much left over for Luxembourg—except agency work for corporate customers. The British banks never had a reason to go to Luxembourg and show no inclination to do so now. The Dutch have a much better deal in the Antilles.

But the banks that do come here have very clear conceptions of what they are looking for.

The Swiss came looking for a market in which to pour their fiduciary funds. "We are money suppliers for the other banks," said Walter Kobel, assistant director of Union de Banque Suisses (Luxembourg) S.A. "We channel the capital surpluses out of Switzerland. No other banking group plays this role of giver."

The German banks, which are constantly seeking refinancing for their credit activities, especially appreciate the Swiss presence. The Swiss banks, too, bring their expertise in investment management. While no one expects Luxembourg to become a little Switzerland for private investors, most see considerable room for expansion in servicing the private customer with—use American jargon—"high net worth."

"We are developing a specialization in investment management

"I think many American banks don't know why they set up here," remarked one American.

"They just wanted to be wherever there might be action."

"We can help create closer ties between Luxembourg and Luxembourg."

"We are already in London with a consortium bank," said John Rammer, general manager of Den Danske Bank International S.A., explaining why the bank's first unit abroad was set up here.

units from the Nordic countries rose to 10 at the end of last year from just three at the end of 1975, and at least three or four more are on the way. The main reason for coming is to sidestep the strict credit ceilings in the home countries and provide Eurocredits for the industry there. But these newcomers fully intend to engage in a broad range of activity and seem committed enough to Luxembourg to constitute a weighty group on the model of the German units.

"We were already in London with a consortium bank," said John Rammer, general manager of Den Danske Bank International S.A., explaining why the bank's first unit abroad was set up here. "Luxembourg looked easier and perhaps cheaper, although corporate taxes are much higher than in Denmark." It was only in the summer of 1976 that the Danish central bank gave the green light for foreign subsidiaries, and in November of that year, the Luxembourg unit was in business.

Mr. Palmer noted that Danske's Luxembourg unit reported its balance-sheet volume at 15 billion Luxembourg francs (\$475 million)

at the end of last year. "That's as big as an Edge-Act bank in the U.S.," he remarked. "In principle, we are ready to engage in full international operations—but they must be profitable." He added, though, that their growth might be limited by the requirement of keeping capital at 3 percent of balance-sheet volume.

The first Danish bank to arrive was Privatbanken International (Denmark) S.A., which started up in October 1976. Ole Bruun, assistant general manager, said the balance sheet at the end of the first quarter had already reached 13 billion francs (\$412 million). But Mr. Bruun doubted that the Danish or other Scandinavian banks would repeat the German growth. "We are smaller and the difference in size will keep expansion more moderate," he said.

The Scandinavians, though, are now numerous enough to create a market in their own currencies. Moreover, they are interested in taking part in the DM money market, but they also have brought a lot of dollars with them.

Closer Ties

"We can help create closer ties between Luxembourg and Luxembourg," Danske Bank's Mr. Rammer said, "because we have always worked closely with London." He said Luxembourg could no longer be regarded as an offshore center, but has become a financial center in its own right.

There are four Norwegian representations in Luxembourg (they were the first in arrival), and two each from Sweden, Denmark and Finland.

Noticeable in the friendly reception given the Scandinavians is the absence of a highly competitive

atmosphere. The nature of the business is such that the hard competition for Euroloans is not linked directly to the Luxembourg presence. Much more important for Luxembourg is the growth of the market

(Continued on Page 9)

The Five-Point Plan

LUXEMBOURG (IHT)—Last October the Luxembourg government announced a fiscal package to relieve some tax burdens on the banks. The measures of this "five-point plan" have been sought by the foreign banks for a long time. They maintain that the measures simply bring business conditions in Luxembourg closer to those in other European centers and that they do not create any new competitive advantage for the banks. The measures are:

- Removal of the 10 percent value-added tax (VAT) on gold trading.
- Tax credits for foreign withholding taxes on interest payments. This is designed to compensate for Luxembourg's lack of double-taxation treaties. It provides that taxes on interest payments withheld at the source can be counted against the Luxembourg taxes on income from that interest—on a country-by-country basis.
- Elimination of a 5 percent coupon tax on Luxembourg bond issues.
- Elimination of stamp duty (0.1 percent) on certificates of deposit (CDs) denominated in a foreign currency.
- Global value adjustments of up to 1 percent on secured credits. This allows Luxembourg banks to create general (tax-free) reserves. Previously, global reserves of 1.5 percent could be created only for unsecured credits.

The gold measure was attached to the 1978 budget bill and became effective at the beginning of the year (beating a European Economic Community deadline on this type of change). The other three tax measures (tax credit, coupon tax, stamp duty) are contained in a bill currently before the Chamber of Deputies. Passage is assured and expected soon. The measures will be retroactive to Jan. 1 to the extent possible. The proposed legislation also would boost the subscription tax on holding companies to 0.20 percent of total assets annually from 0.16 percent, to compensate in part for revenues lost through the other measures.

The fifth point in the package, the global value adjustments, is to be implemented by administrative order and is not part of the legislation.

This Report

This report was prepared and written by Darrell Delamaide.

CIAL

LUXEMBOURG

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Trying to Decide Which Local Banks are 'Domestic'

LUXEMBOURG (IHT)—Amid the international and Euro-banking activity in Luxembourg, it is often difficult to decide which banks here are "domestic."

In addition, given the Belgo-Luxembourg Economic Union, a wide interpretation of domestic would include all of the Belgian banking operations in the Grand Duchy.

Kredietbank Luxembourg is a case in point. Does it, or doesn't it, rank as a domestic bank?

Founded in 1949 as a subsidiary of Kredietbank Brussels, the unit functioned until the 1960s as the branch in an area that for financial purposes could be regarded as domestic.

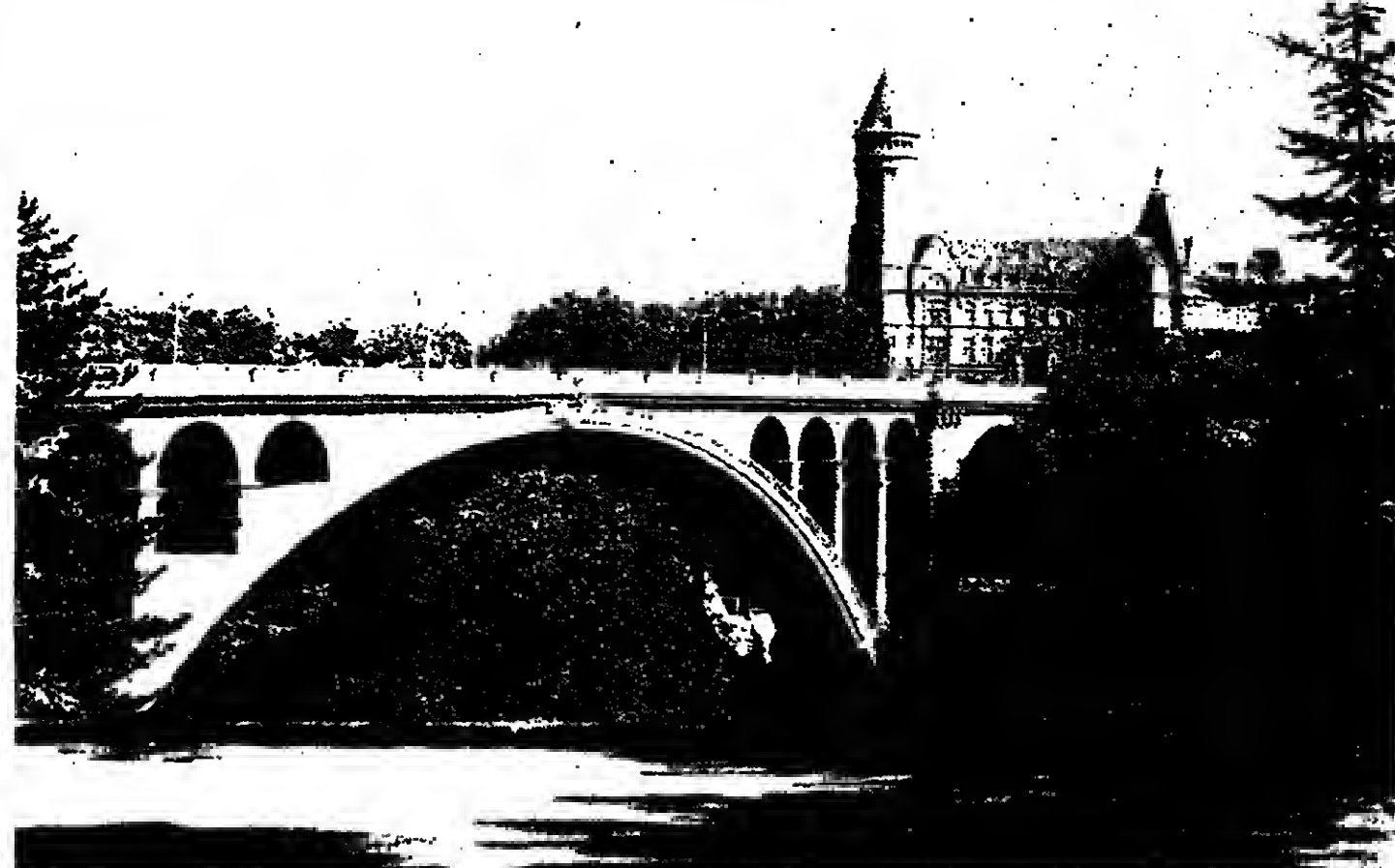
"We're the most foreign of the domestic banks and the most domestic of the foreign banks," commented Andre Coussemont, general manager of KBL. He noted that the recent reorganization of the Kredietbank group, transferring KBL to direct ownership of the holding company, made the Luxembourg operation a sister rather than a daughter of the Brussels bank.

The change will make KBL more prominent and put even greater emphasis on its role in the Euro-market on behalf of the group. Mr. Coussemont said. Still, KBL has three branches in Luxembourg and does a considerable amount of retail business.

Clearer pedigrees can be found for the Big Three commercial banks—Banque Internationale à Luxembourg, Banque Generale du Luxembourg and the Caisse d'Epargne de l'Etat-Banque de l'Etat. Banque Internationale (BIL) was founded in Luxembourg in 1856 as a private bank with an international orientation. Caisse d'Epargne was established the same year as a state-guaranteed savings bank. Banque Generale was already around in 1919 as a branch of Societe Generale de Belgique, and in 1935 was incorporated as a Luxembourg company.

World War II

Caisse d'Epargne was integrated into the German savings bank system under the Occupation during World War II, and the bank was reconstituted afterwards as a universal bank. It is the largest domes-



The Caisse d'Epargne de l'Etat—the State Savings Bank.

tic bank with a (1976) balance-sheet volume of 98 billion Luxembourg francs (\$3.1 billion).

BIL, through a series of events—including the 1976 merger with Banque Lambert-Luxembourg—is now 40-percent owned by Banque Bruxelles Lambert. Through the ups and downs of its history, though, BIL has retained its right to issue banknotes (Luxembourg has never had a central bank). It is the second largest domestic bank, with a 1977 balance sheet totaling 70 billion Luxembourg francs (\$2.2 billion).

BIL engages in commercial and retail banking, syndicated loans, bond trading and manages Luxembourg franc issues. The bank also holds a 50-percent interest in

Banque Continentale du Luxembourg (the other half is held by Hessische Landesbank Girozentrale of Germany) and 40-percent of Banque Commerciale (the rest belongs to Banque Nationale de Paris), which was founded following World War I.

"We are stressing the international side more than ever," said Edmond Israel, BIL management board member. "We recently opened a representative office in Singapore. We believe that Southeast Asia is very important for commercial and financial links."

Besides aiding in the export of Luxembourg steel and attracting industry to the Grand Duchy, Mr. Israel said BIL hopes to help link the two international financial centers.

"More and more, this free market is a worldwide market where

you still distinguish regional centers," Mr. Israel noted. "It will become more harmonized as dealing houses go around the clock, but the framework is still a little vague. Linking two centers like Singapore and Luxembourg could be instrumental in furthering this harmony."

But he hastened to add that domestic business is still very important for BIL. The bank is becoming increasingly "universal" and offering a bigger palette of services.

Caisse d'Epargne, on the other hand, while working to remove its slow and bureaucratic image, is in no hurry to go abroad on the model of the German central savings banks. Henri Germeaux, assistant director at Caisse, said that there is no need "at the moment" for the bank to go abroad to fulfill its

functions as a savings bank and state bank.

Mr. Germeaux noted that Caisse d'Epargne is the "house bank" for many American firms active in Luxembourg. The bank also holds deposits for many of the foreign banks operating in Luxembourg without becoming too involved in the Euro-market activities.

Across the Way

Caisse d'Epargne, by virtue of its high market share in private savings accounts (50-60 percent), has usually determined domestic interest rates. "The savings-account rate becomes the key rate," explained Mr. Germeaux, noting that the Grand Duchy avoided the big fluctuations of the Belgian interest rates despite the monetary union.

Across the way, meanwhile,

Kredietbank's Mr. Coussemont plans for strengthening the bank's international activity. KBL enabled the Kredietbank group in 1975 and 1976 to top the list of Euro-bond managers. But then, Mr. Coussemont explained in an interview, their share slipped for two reasons: The interest rate structure was such that Eurobonds were no longer as interesting to Belgian customers—the source of KBL's placing power. Also, bonds denominated in European Units of Account—Kredietbank's specialty and "the only way you could borrow in 1975," according to Mr. Coussemont—faded from the scene.

"But we increased our profits from the issuing business in 1976 and 1977," Mr. Coussemont said. He explained that KBL specialized in private placements, primarily for Scandinavian borrowers. "Also, I've spent half my time abroad, expanding our placing power," he said.

He noted an expansion in KBL's commercial activities and greater engagement in syndicated loans. "But we bid for medium-sized business—\$25 to 30 million," Mr. Coussemont said. "Why take \$5 million in a \$300-million loan to Ireland. The Irish will never be grateful to you." A small Scandinavian city or a company, however, would be a grateful customer, he added.

Mr. Coussemont is also enthusiastic about advanced payment and performance bonds, especially for projects in the Middle East. He called attention to a \$60-million performance bond for Lockheed Corp. managed by KBL last year.

For the purpose of domestic finance, particularly to fill the gap for medium and long-term capital for industrial expansion, the government last year created the Societe Nationale de Credit et d'Investissement. With Caisse d'Epargne, the new institution is the only public-sector financial institution in Luxembourg (Caisse d'Epargne fulfills the functions of government treasury—including the issue of smaller banknotes and coins).

Rounding out the domestic picture are the two cooperative banks: Caisse Centrale des Associations Agricoles Luxembourgeoises, Fortuna-Societe Cooperative Credit et d'Epargne.

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January, 1978



remier Gaston Thorn on the State's Role in the Euromarket

LUXEMBOURG (IHT)—In an interview, Luxembourg Premier Gaston Thorn discusses the foreign banking in the country's economy with *Daily Herald* of the IHT. The premier also bluntly addresses the problems arising from the role of a Euromarket within the European Community. He comments well on the future of the market and Luxembourg's

'Good luck and success always breed some jealousy. But I think we

were able to convince our neighbors that their fears are not justified,

that the Luxembourg financial center does not work against their

basic interests. Certainly the government has no intention of condon-

ing any such activity.'

side—The number of Luxembourg has quadrupled in the last 12 years; the balance totals of all the banks amount to more than 100 billion Luxembourg francs. How does Eurobanking play in Luxembourg economy? Has it crisis made foreign bank-

Thorn—The banking sector second largest private employer (after the steel industry) with 6,000 people—almost 10 percent of the active population. While the industry's share in our GNP diminished to about 10 percent, the development of the sector comes just in time to compensate these losses. Banking sector already is the taxpayer in the country. In the last decade, about 4,000 new jobs were created in this sector. Financial activities help us to keep pace of payments favorable to a 9 billion-franc trade gap.

Luxembourg is currently new industrial investment in United States and elsewhere. Luxembourg's development is a financial center's selling and attracting new industry?

In the Euromarket, coupled with transfer of capital, offers investors a range of financial facilities which they are not finding elsewhere. That is an asset. The smooth operation and efficiency further points we are making to investments.

As the growth of Luxembourg is a Eurobanking center any adverse reaction or pressure from other members

of the European Economic Community, particularly Belgium or West Germany?

A—Good luck and success always breed some jealousy. But I think we were able to convince our neighbors that their fears are not justified, that the Luxembourg financial center does not work against their basic interests. Certainly the government has no intention of condoning any such activity. Luxembourg has survived the recent monetary and financial turbulences without any notable crisis. Once again the liberal but very real and competent control exercised by the Banking Commission has proved its effectiveness. Being conscious that a small-sized country benefits a lot, or even most, from the free circulation of people, goods, services and capital, Luxembourg fully accepts EEC policy in those matters and entirely respects its EEC obligations.

But as long as harmonization of the fiscal systems and of the tax collecting procedures is not activated within the community, we don't see why we should be asked to sacrifice ourselves and do other people's and other countries' job of stopping the gap in their own fiscal policies. We have never refused to discuss real problems; we have almost always found sensible solutions, but we don't intend to be a scapegoat.

On the contrary, we feel that Luxembourg is fulfilling a useful function in the international money markets and one which would otherwise, no doubt, be fulfilled elsewhere, probably outside the community and therefore out of reach

of any control or effort at cooperation.

Q—What are your major concerns about the Eurobanking activity here, given that the whole operation is vulnerable to forces beyond the control of Luxembourg—or anybody else for that matter?

A—Transactions with non-residents as well as transactions in foreign currencies represent about 80 percent of the banks' total business volume. Among the 94 banks, only 12 are of Luxembourg or Belgian origin. But the money flows through rather than to Luxembourg. Although large amounts are involved there is little if any repercussion on the national economy, apart, of course, from the banking activities in themselves. So there is no disruptive effect on the national economy and consequently no temptation or pressure to bend these international financial flows to national objectives—which is another attraction of Luxembourg as a financial center.

Q—What direction do you see the world monetary system taking, and what role do you want Luxembourg as a Eurobanking center to play in the near to medium term—the next five years? What dangers lie in the near future?

A—Unfortunately, economic and financial activities are presently very negatively influenced by the sharp fall of the U.S. dollar. It is not merely the weakening of the U.S. currency which seems to cause most trouble, it is rather the uncertainty about it, where and when it can finally be stabilized which is such a serious preoccupation. In

the next few years, Luxembourg's banking sector will remain dynamic, though its expansion will perhaps be at a slower rate. I think that above all the financial center's relations with non-industrial countries could be improved. Presently more than two-thirds of the Eurobanks' activities concern Western European countries. Only a few banks have their origin in a country of the Third World.

A lot needs to be done to profitably and sensibly recirculate money so abundantly available in the OPEC countries and elsewhere to finance development, for instance, and the restructuring of the world economy. Luxembourg can play a useful role here. First steps are already taken, but they must be followed by others.

Q—Do you think Luxembourg can remain "competitive" as a Eurocenter?

A—A main concern of the government is certainly to maintain the competitiveness of the financial center. Therefore, the banks established in Luxembourg must be offered the same or better conditions than elsewhere, in London or Zurich. So this government recently adopted these measures in order to ease or eradicate certain fiscal handicaps which have disadvantaged Luxembourg-based banks as compared to banks located in other centers. But above all the development and the reputation of Luxembourg is due to natural assets or general considerations, like the central geographical location in the heart of Europe, the very efficient



Luxembourg's
Premier
Gaston
Thorn.

telecommunications system, the bilingual and even largely trilingual population, the healthy political and social climate.

Q—Luxembourg has been designated as the "financial center" of the European Economic Community. Do you foresee any significant

development in the EEC itself that would lead to the establishment of a new community institution or office in Luxembourg?

A—Luxembourg already is the seat of the EEC's existing financial and monetary institutions: the European Investment Bank (since

1968) and the European Monetary Cooperation Fund (since 1973). The benefits are reciprocal: the EIB has almost certainly drawn advantage from Luxembourg's growing international financial position. For Luxembourg, the bank lends extra weight and prestige to its international banking reputation.

The EEC shows little progress at the moment in the institutional field. I am convinced however that increased cooperation and common action in the monetary field is a priority in the present difficult economic situation. The existing instruments should, however, be able to cope with our present needs.

BANQUE INTERNATIONALE A LUXEMBOURG

BIL reports good results in 1977

Assets	
at December 31st, 1977 (in thousands of lux. francs)	
Cash and deposits with banks at maximum one month	24.699.357
Term deposits with banks	18.496.798
Deposits with non banking financial institutions	1.394.200
Bills and notes	2.273.184
Loans and advances	20.291.611
Securities	3.329.300
Fiduciary accounts	3.365.915
Miscellaneous	1.404.856
Fixed assets	1.779.288
	77.034.509

Liabilities	
Current liabilities:	
- Banks	23.991.415
- Non-banking financial institutions	548.588
- Deposits	44.415.354
- Miscellaneous	1.758.282
Fiduciary accounts	3.365.915
Shareholders' equity and borrowed capital	2.713.087
Available profit	243.868
	77.034.509

International services expanded

1977 was an eventful year for Banque Internationale à Luxembourg (BIL), Luxembourg's oldest bank — founded in 1856 — and one of its largest and most active.

At the end of 1976, the Bank had taken decisive steps to expand its domestic and international operations by merging with and absorbing Banque Lambert-Luxembourg. Despite the problems and an initial burden of extra administrative costs inherent in a merger of this magnitude, BIL is glad to report satisfactory overall results for 1977. Total assets grew by about 10 per cent to over Lfrs. 77 billion accompanied by a corresponding increase in earnings.

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The detailed balance sheet and profit and loss account have been published in the *Moniteur* Recueil Spécial des Sociétés et Associations du Grand-Duché de Luxembourg and may be sent on your request.

* Allgemeine Bank Nederland, Banca Nazionale del Lavoro, Banque Bruxelles Lambert, Banque Nationale de Paris, Barclays Bank, Bayerische Hypothek und Wechselbank, Dresdner Bank, Österreichische Landesbank and the BIL.

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Grand Duchy's New Tax Packet Grants Relief to Bankers

(Continued from Page 1)
the strains inherent in the disproportionate activity of West German banks in Luxembourg indicate the weaknesses of the tiny country as a financial center.

The government's flexibility is further restricted by the fact that foreign banks have become increasingly important in the domestic economy, especially in the wake of problems in the steel industry. Luxembourg's traditional mainstay.

Still, the banking center has grown and seems likely to continue in this direction. Balance-sheet volume of Luxembourg banks was up 23 percent last year, after a 15-percent growth the previous year. The number of banks rose to 94 following 10 new arrivals in 1977 (compared with just 37 at the beginning of the decade and 15 in 1960).

Since the end of 1973, as the Euro market itself has doubled its volume, Luxembourg has increased its share from 7 percent to over 11 percent. Its share of net lending (cred-

its to non-banks) has grown to 25 percent from 16 percent in the same period.

And if the Americans have reduced their activity in Luxembourg, German banks have continued to expand, in numbers and in volume, while an increasing number of banks from Scandinavia and Italy are opening up shop in the Grand Duchy.

The American accounting firm Peat, Marwick & Mitchell summed it up in a memorandum on how to go about setting up a bank in Luxembourg: "In spite of certain disadvantages, Luxembourg now has a roster of bank names of sufficient prestige to make it attractive as a market place in itself—a place where many self-respecting international banks believe they ought to have a presence."

On the Map

Or, as one newly arrived Scandinavian banker generously observed, "Most people know where to find Luxembourg on the map now."

Luxembourg's location in the center of Europe is at once its major strength and weakness. Its central location, well-developed infrastructure, its ties to the European Economic Community and tradition of fine living in the European style certainly distinguish Luxembourg from the classic offshore center. And yet, like the traditional offshore center, its position as a financial place is not due to its smallness and freedom from restrictive domestic regulation. But this freedom itself could eventually be restrained by banking regulation adopted on an EEC level.

A more immediate threat would be efforts from other European financial centers—Amsterdam, Brussels, Paris, Frankfurt—to increase their international activities with favorable legislation, a move Luxembourg could provoke if it favors the banks too much. This is the gauntlet Luxembourg has to run.

"We must pay close attention to keeping the banking center attractive—especially from a fiscal point of view—in comparison to London, let alone the real tax havens," Finance Minister Jacques Poos said in an interview. "On the other hand, we must avoid possible retaliation or counter-measures against Luxembourg from our neighbors."

The importance of the banking sector in the Luxembourg economy has been well-publicized. The banks paid 4.7 billion Luxembourg francs (\$149 million) in taxes last year, almost three-fourths of all corporate taxes and 12 percent of the government's budget.

Exaggerated

But Luxembourg's finance minister feels the importance of the banks has been exaggerated. "I don't agree with a press report that this country lives exclusively from the banks," Mr. Poos said. The 6,300 persons employed in the banking industry make up just 4.5 percent of the work force. Mr. Poos noted. He added that even though the steel industry has not paid any corporate taxes lately because of heavy losses, it is still the biggest employer and pays the wages that are then taxed. Private income taxes brought the government 9.5 billion francs (\$300 million) in revenues last year.



Still, the government admits that the unforeseen growth of banking activity has done much to tide the economy over the period of industrial transition.

The corporate tax rate in Luxembourg is 40 percent, plus a 15-percent withholding tax on income paid out as dividends. This makes the effective tax rate about 50 percent for many banks operating in Luxembourg—hardly the rate to justify the distribution of tax haven.

As Mr. Poos remarked, "If Luxembourg has developed as a financial center, that's due to a whole set of reasons which have nothing to do with fiscal facilities."

Even the proposed fiscal measures to ease the tax burden are regarded by some bankers here as "half-hearted." "The most important—the credit for foreign holding taxes on interest income—has lost some of its glitter through the fact that the credits will be given on a country-by-country basis."

Step by Step

Mr. Poos conceded that many bankers would have preferred the concession to be granted on a larger geographical scale, at least by zones. But the government wants to take it step by step because the effect on lost tax revenue is difficult to calculate ahead of time. Despite their disappointment, though, the bankers welcome the measure, which has long been seen as necessary.

Luxembourg has only eight double-taxation accords (Austria, Belgium, France, West Germany, Ireland, the Netherlands, the United Kingdom and the United States) because the Grand Duchy does not really have much to bargain with. The rather complicated law now under consideration would bring some unilateral compensation, and will certainly improve the profitability and competitiveness of the Luxembourg banks in the Euro-credit market.

Credit business has gained in importance in Luxembourg in any case. Although the proportion fluctuates, the amount of credit business is nearing half of total volume, and an increasing proportion of the credits managed in Luxembourg are

straight medium and long-term lending rather than roll-over. One banker estimated that roll-over credits, which are renewed every three or six months for a set period and represent the "classic" Euro-credit, make up half of the credit business in Luxembourg.

Another measure of the five-point program, to be implemented by administrative order rather than by law, is the allowance of global risk reserves even on secured credits. The international banks have lobbied long for this measure, which provides them with greater flexibility in building tax-free reserves. Previously, global reserves were allowed only for unsecured credits.

Other measures in the tax package are expected to further new types of business. Removal of the value-added tax on gold trading adds a new service for private customers and is expected to boost investment management activity (although Banking Commissioner Pierre Janss cautions that Luxembourg is not going to become a major gold center on the Zurich or London models).

CDs

Elimination of the stamp duty for certificates of deposit (CDs) denominated in foreign currencies could foster a market in these short-term instruments. The Swiss banks, which are money suppliers in the Luxembourg market, are known to be interested in developing the money market.

Taking away the coupon tax for bonds issued in Luxembourg is designed to encourage more issues and perhaps indirectly support the secondary bond market. Although

the Luxembourg exchange is the main bourse for listing Eurobonds, there is not much trading in the bonds here. (The establishment of Euronext, a computer-assisted trading system in bonds, is also expected to help this market.)

To compensate in part for revenues lost through these measures, the legislative proposal calls for boosting the annual subscription tax on holding companies to 0.20 percent of total assets from 0.16 percent. This sounds small, but this tax brought in about 500 million francs (\$16 million) last year, and the 25 percent boost will raise almost another 150 million francs.

Just how many of these new opportunities the banks will find worth exploiting remains to be seen, but the track record of Luxembourg banks so far indicates they will not pass up any worthwhile opportunities to expand their business and increase their earnings.

Pierre Werner, long-time finance minister and premier and currently head of the main opposition party, feels that Luxembourg's future as a financial center is dependent on dynamism and flexibility of both the banks and the government authorities.

He looks for an increasing diversification of operations. "We have to count on new developments," Mr. Werner said in an interview. "But the basic factors which have favored development—remain—small country, stable political and social conditions, absence of strong governmental intervention."

It was precisely this set of qualities, Mr. Werner recalled, that brought the first international interest in Luxembourg following the war. International bankers and

multinational corporations approached the Luxembourg government, with a request to adapt its holding-company law, dating from 1929, for financing purposes. The law was changed to allow loans to ten times equity, so that many U.S. companies made financial transfers through Luxembourg for their European operations. The holding-company law also was adapted so that investment funds qualified for the tax immunities.

This was a prelude to Luxembourg's development as a Euro market center. The liberal holding-company legislation, the lack of a central bank and the stringent supervision offered a freedom of action attractive to banks. Mr. Werner said. With the 1963 Internal Equalization Tax in the United States and the take-off of the Euro market, banks were looking for places to conduct these operations with a minimum of interference.

In 1965, Luxembourg's reputation as an international financial center gained further luster through the EEC's designation of the Grand Duchy as its "financial capital," to compensate for the loss of the European Coal and Steel Community's executive (through its merger with the EEC Commission). Luxembourg became the site for the European Investment Bank and other financial operations of the community.

In 1967, Dresdner Bank became the first of the German banks to step across the border. A virtual flood followed as the German banks sought to escape the minimum reserve requirements imposed by the Bundesbank (and later circumvented the Bundesbank, a penalty imposed by the German government to inhibit foreign banking).

From then on, Luxembourg got through the critical phase of its liquidity and unhealthy competition at the beginning of the 1970s and through the crisis years 1973-1974 as the switch to float exchange rates, the oil crisis and OPEC surpluses led to foreign exchange speculation, bank failures (Herstatt) and a crisis of confidence. The subsequent reformation of the Eurobanks with a more cautious approach to credits, a foreign exchange re-stabilized market and enabled it to grow to \$215 billion at the end of 1974.

"Sometimes economic reality is stronger than theory," said A. Werner, describing the development of the Euro market in spite of official worries. In Luxembourg, the pressure to develop as a center came from the outside and the government responded cautiously and pragmatically, Mr. Werner recalled.

"Some kind of place like this is necessary in each economic zone," he remarked. "A strong financial system is one of the major symbols and realities of a small country."

The Grand Duchy's crossroad location, its tradition of many currencies and languages and its openness aided its growth.

Finance Minister Poos conceals there is still room for worry about the Euro markets. "But we're not therefore optimistic. This big discussion about the possible collapse of the Euro market is in my opinion premature," he commented. Bead he continued, "national banks the big reason for our success: we learned to live with the Euro market and to appreciate its usefulness and complementarity to the traditional banking system. There will be new attack on the Euro market from this quarter."

And as long as there is a Euro market, Luxembourg will seek to be a home for banks engaged in it, he said, "not as a tax haven in any way it's usually meant, but as a financial center equally worthy of London."

Banking Commissioner Janss makes it clear, however, that expansion in Luxembourg will not be at any cost. "There will be no concession in terms of supervision," Mr. Janss said. "This can't be considered an issue of competitiveness. In fact, government officials and bankers here are convinced that Luxembourg's informal but effective supervision has been a major factor in the country's success as a Eurocenter."

As to pressures from fellow EEC members, Luxembourg has shown it is willing to stand its ground when its interests are at stake. The government has resisted pressure from Belgium—which was concerned about the large number of private Belgian investors who held bonds on deposit in Luxembourg—presumably to evade Belgian taxes—by pointing out that at least money stays in the Belgo-Luxembourg Economic Union. And it resisted pressure from Germany concerning the operations of German bank subsidiaries here.

Premier Gaston Thorn made clear in an interview elsewhere this report that Luxembourg has intention of sacrificing its financial policies as long as there is no multiplicity-wide harmonization of policies.

Pierre Werner, at 64 still an active politician and a likely opponent to Mr. Thorn in next year's elections, puts the matter this way: "We are not opposed to harmonization of taxes—so long as it does not hinder the international financial market."

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	Bank	Group
Volume of Business	DM 8.288 billion	DM 9.664 billion
Total Assets	DM 7.341 billion	DM 8.705 billion
Total Deposits	DM 6.818 billion	DM 8.103 billion
Volume of Credits	DM 6.142 billion	
Capital and Reserves	DM 314 million	
Dividend to Shareholders	DM 9.— per each DM 50.— ordinary share	

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European Investment Bank Expands Its Lending Activity

LUXEMBOURG (IHT)—The decision of European government heads last month to recast the doubling of the sub-capital for the European Investment Bank was just one more response to the institution's growing responsibilities.

indeed in conjunction with the year Economic Community provisions of the Treaty of Rome to obviate expected regional structural problems. EIB has expanded its lending activities from 1963 to 1977, from 100 million units of account (UA) to 1,570 million UA. The doubling of the sub-capital for the EIB, from 100 million UA to 200 million UA, will enable the bank to carry up to 17 billion UA (\$20 billion) in outstanding loans and guarantees (25 percent). The bank was designated to provide supplementary financing in industrially underdeveloped areas, which, as the Treaty of Rome thought, might be even more disadvantageous through the competition of the Common Market. Further, the bank was to ease structural adjustments necessitated by creation of the EEC and help finance projects of common interest.

While EIB still concentrates on the regional impact of projects, its role has shifted somewhat. "The change of emphasis comes from the fact that we have two main problems... Business trends are sluggish and this leads to sluggishness in private investment, particularly in industry. Second, member countries are reluctant to launch public investment projects because of balance of payments problems."

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role has shifted somewhat. "The change of emphasis comes from the fact that we have two main problems... Business trends are sluggish and this leads to sluggishness in private investment, particularly in industry. Second, member countries are reluctant to launch public investment projects because of balance of payments problems." Early last year, the European Council expressly asked EIB to help spur lagging economies.

And so lending to industry increased 43 percent last year, to

426.2 million UA (\$511 million), almost half of it to the steel industry. As part of its industry lending, EIB boosted its global loans—credits to national intermediary bodies for on-lending in small and medium-sized industry—by 50 percent to 91.3 million UA.

Mr. Le Portz noted that financing for projects of common interest

to the EEC received a new accent from 1974 onwards, in the wake of the oil crisis. Projects to modernize European energy supplies and to foster autonomous sources of energy received greater emphasis, he said.

In 1977, 27 percent of EIB lending to member states went to emer-

gy projects. Of the total 1.4 billion UA (\$1.7 billion) new financing in the community, 19 percent went for projects in the nuclear-energy field alone.

Since 1963, EIB has provided financing for projects outside the EEC, in the Mediterranean basin and the 53 countries in Africa, the Caribbean and Pacific which

signed the Lome Convention. Financing operations in 1977 under the convention totaled \$4.1 million UA (\$101 million). These loans are provided from EIB's own resources, but often carry interest subsidies financed by EEC budgetary funds.

Refinance

The concept of EIC is to refinance its lending through borrowing on the basis of the subscribed capital, and to cover its borrowing costs through its interest charges.

It is here, of course, that EIB does have a good deal to do with the Euromarket, because much of its refinancing is raised in international capital markets.

Through 1977, EIB raised 6.1 billion UA (\$7.3 billion) in the bond markets. The stepped-up lending in 1977 meant a big increase in borrowing as well. EIB last year raised 1.161 billion UA (\$1.4 billion) in public and private issues, up from 749 million UA (\$899 million) the previous year.

Like other supranational lending

associations, EIB is diverse in its borrowing. Recent issues included:

- \$30 million (8.25 percent 10 year) in the Asian dollar market;
- 150 million DM (6 percent 12 years);
- 25 million pounds (9.75 percent 10-year) in the Eurosterling market;
- \$200 million in the Eurodollar capital market (split into 10 and 15 year issues).

Borrowing

But this borrowing activity in itself does not require being in Luxembourg. In fact, while noting the central location, good infrastructure and pleasant life afforded by Luxembourg, Mr. Le Portz points out that there is no particular financial benefit to the bank. "We could just as well be in one of the other countries," he commented.

But EIB is not likely to move because Luxembourg likes to hang on to its European institutions.

urex Brings Automated Trade

(Continued from Page 1)

203 new issues were listed, including 184 international bonds, from 229 the previous year (1976). More than 1,100 Eurobonds listed on the Luxembourg exchange by the end of 1977, an increase of 75 percent of all public bond issues—excluding the mark and Swiss franc—which are listed on domestic exchanges. Eurobonds accounted for 60 percent of the issues listed on the Luxembourg bourse, while including foreign shares—only 89, or 6.7 percent of 27 listed issues.

Reasons for Luxembourg's popularity for Eurobond listing are simple—listing here is quick, cheap and easy.

The reasons for Luxembourg's popularity for Eurobond listing are simple—listing here is quick, cheap and easy.

was conceived in 1927 and finally opened in 1929, hardly a propitious year to open a stock exchange. Depression, war and reconstruction kept the Luxembourg exchange from developing its international aspirations prior to 1960, and the capital needs of the Luxembourg economy are scarcely sufficient to support a full-scale exchange.

Investment Funds

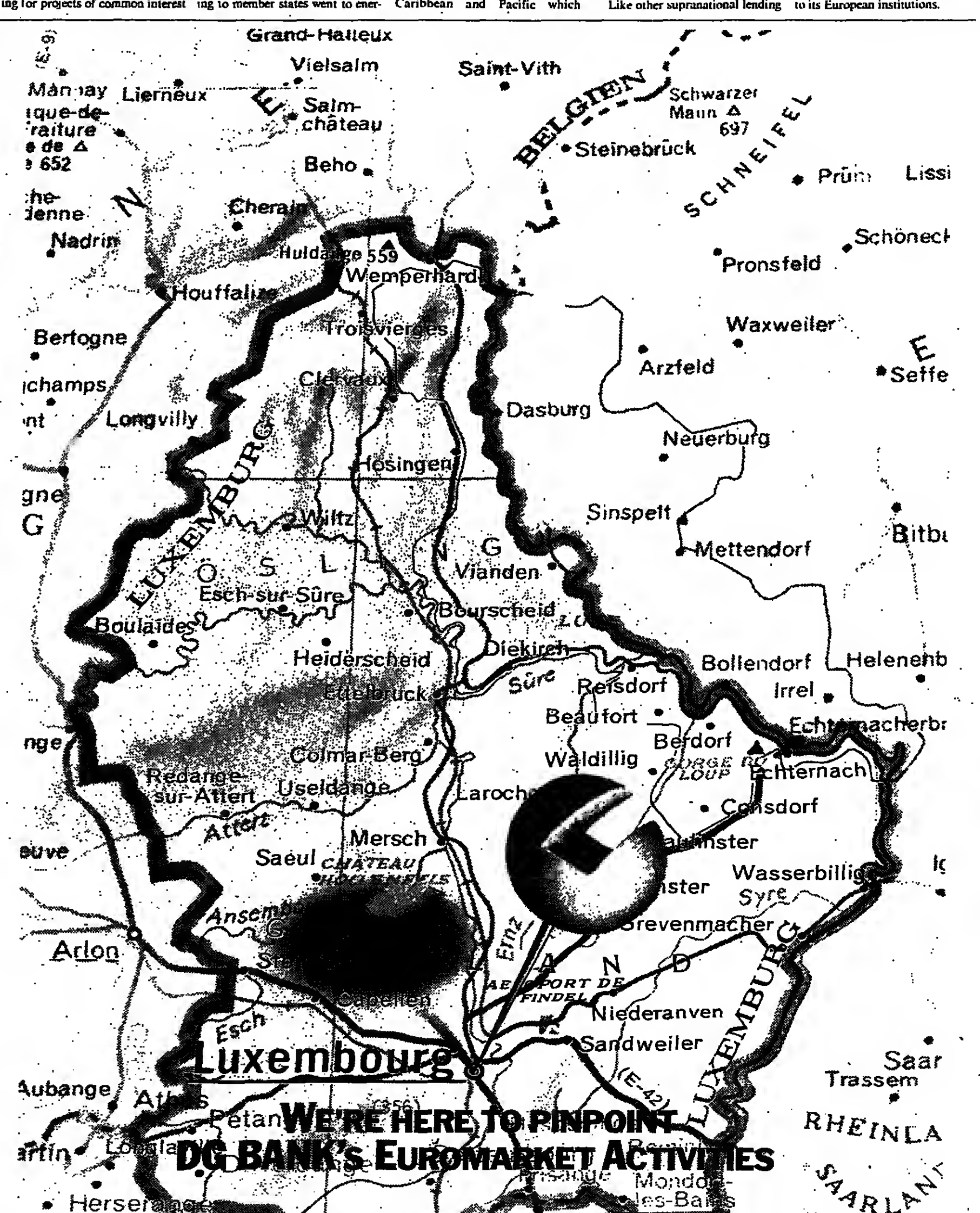
An unusual feature of the Luxembourg exchange is the listing and trading of investment-fund certificates. At the end of 1977, there were 73 funds listed on the exchange.

Investment funds in general have had a roller coaster history in the

Grand Duchy since the holding-company law was widened at the beginning of the 1960s to include the management companies of investment funds. The funds grew from 1965 to a peak in 1972, and have declined steadily since the 105 scandal. In 1972, 95 Luxembourg funds had assets of 112 billion francs (\$3.5 billion). This compares with 24 funds and assets of 22.6 billion francs (\$17 million) in 1967, the first year for which figures are available.

By the end of 1977, the number of funds based in Luxembourg had dwindled to 82, with assets of \$3.7 billion francs (\$2.66 billion). There has been a net decline in certificate transactions in the period as well. Whereas in 1971, the funds recorded net sales of 2.5 billion francs (\$79 million), net placement in 1977 was a negative 277 million francs (\$8.8 million).

Since 1972, all investment funds, including those based outside the country which offer certificates for sale in Luxembourg, are required to report to the Banking Commission. The Commission's latest report lists 24 foreign funds active in Luxembourg.



Your international bankers in Luxembourg

at 31 March 1978	
Total assets	approx Lux Frs 221 bn (US \$7.1 bn)
Liabilities	approx Lux Frs 209 bn (US \$6.7 bn)
Capital and equivalent funds	approx Lux Frs 12 bn (US \$0.4 bn)

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of specialized institutions in the Federal Republic of Germany. At year-end, 1977, DG BANK commanded consolidated assets of DM 43,590 million (the equivalent of US \$20,708 million), and for the banking group it heads the total was DM 240,000 million (US \$114,000 million).

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Banking Supervision Is Pragmatic, Flexible—and Tough...

LUXEMBOURG (IHT)—One of the most stringent controls on banks in Luxembourg is often overlooked. That is the difficulty of getting in.

The requirements on paper, as so often with bank supervision in the

Grand Duchy, are just the beginning. Still, the requirement of 250 million Luxembourg francs (\$7.9 million) for initial capital (60 percent of which must be paid in) and sponsorship of two Luxembourg banks is already enough to

discourage any amateur attempts. Beyond that, any bank proposing to set up office in Luxembourg needs to sit down and have a long conversation with the banking commissioner about what its intentions are. These conversations in-

clude a relatively comprehensive examination of the background of the bank and the personnel who will be involved in the Luxembourg operation. There is no banking license as such, but (one of those unwritten rules) the commissioner traditionally has the last word in deciding whether the banking institution is given the required commercial license.

"We have never considered allowing 'brass plate' banking," said Pierre Jaans, Luxembourg's banking commissioner. "It's not good for the reputation of the country or the European Economic Community—or good for Luxembourg from the business point of view."

The Grand Duchy wants banks that are serious about doing business, Mr. Jaans said. "We are a bit anxious to keep the list of banks limited to names that are well known."

Some Rejection

The Commissariat has rejected some applications, but most undesirable ones are headed off before formal application.

"Pragmatic" and "flexible" are the two words most commonly used to describe banking supervision in Luxembourg, both by the supervisors and the supervised. But, both sides are quick to add, this relatively unregulated control does not indicate laxity, and the word "tough" occurs almost as frequently as the other two in discussions of supervision here.

"They do it in a nice way—but they mean business," commented one foreign banker who recently arrived. "If you're a little overdue with the monthly report, the phone will ring and somebody will politely tell you the forms were due two days ago, please get them in."

The philosophy of banking supervision in the Grand Duchy is fairly well articulated in the review of the commissariat's operations, published on its 30th anniversary in 1975. "The commissioner's great responsibilities have without any doubt been gradually adapted to the necessities due to the development of Luxembourg as a financial center to meet the requirements of the protection of national and international savings and to guarantee a harmonious operating of financial markets. The answer to



'Much of the supervision

here

consists of

informal

communication.'

paratus of the Bundesbank," Jaans said, "but any questions can answer with figures, so we."

Luxembourg officials (and bankers themselves) proudly call attention to the fact that creditors of Herstatt unit here were reborn in full. Domestic creditors of Cologne parent bank, whose collapse due to foreign exchange speculation tested the credibility of the international banking system only look on with envy.

The Herstatt collapse has national authorities, parties the Germans, serious about national activity of the banks. Things have changed quite fundamentally since then," Mr. Jaans said. "Dealers then weren't as the way the market moves. Members, who often had no foreign exchange experience, were half their dealers." No more, said Jaans, noting that everyone is more sophisticated about foreign exchange trading—including supervisory authorities. "Foreign exchange losses still occur, but ways in proportion to a profit," he said.

—Banking

Commissioner

Pierre Jaans.

Fast Action

When rumors spread at the end of the year that Dresdner Bank's Luxembourg unit had suffered heavy losses in the Forex market, Mr. Jaans acted fast in cooperation with the German banking authorities in Berlin to check it out.

"You can't ignore rumors," he said. "I felt from the start that they were unjustified because they were watching foreign exchange positions very closely, examination of Dresdner Bank's books in Frankfurt and Luxembourg showed everything in order."

Mr. Jaans said he normally reports on foreign exchange transactions once a month. The motive banks submit reports on day basis. "Here again, it's much a matter of perception," he said. "There's an attitude of positive collaboration."

As in the case of squelcher Dresdner Bank rumor, Mr. Jaans has no difficulty in coupe (Continued on next page)

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Upswing 1977

1977 was another record year for Nikko, with operating income and net income after taxes being ¥48,856 million (US\$184.05 million) and ¥24,211 million (US\$91.21 million) respectively. Net income per share increased to ¥30.03, despite the prolonged economic recession in Japan and abroad.

The financial position of Nikko, a leading investment

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Statement of Income

	Year ended September 30	
	1977	1976
Yen in Millions		
Revenue		
Commissions	¥91,620	¥80,390
Interest and dividend income	14,943	13,280
Profit on sale of securities	18,983	13,159
Gross revenue	125,546	106,829
Operating Expenses		
Selling, general and administrative expenses	74,071	63,271
Interest expenses	2,619	3,266
Gross operating expenses	76,690	66,537
Operating income	48,856	40,292
Non-operating income (expenses)	542(253)	477(192)
Income before extraordinary items	49,127	40,577
Extraordinary gains (losses)	734	(5,672)
Net income before income taxes	49,861	34,905
Provisions for income taxes	25,650	17,750
Net income	24,211	17,155

Balance Sheet Data

	As of September 30	
	1977	1976
Yen in Millions		
Assets		
Current Assets		
Cash on hand and in banks	¥39,177	¥39,388
Short-term loans	25,025	44,151
Securities owned	61,977	38,418
Securities held as collateral	100,106	74,979
Other current assets	122,532	84,905
Total current assets	348,817	281,841
Fixed Assets	44,272	41,441
Total Assets	393,089	323,282
Liabilities & Stockholders' Equity		
Liabilities		
Current liabilities	232,209	182,867
Long-term liabilities	13,131	12,368
Reserves	9,455	10,877
Total liabilities	254,795	206,112
Stockholders' Equity		
Common stock	40,313	36,648
Capital surplus	10,340	14,005
Earned surplus	63,430	49,362
Other stockholders' equity	24,211	17,155
Total stockholders' equity	138,294	117,170
Total liabilities and stockholders' equity	393,089	323,282

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'...It Is Done in a Nice Way—But They Mean Business.'

(Continued from preceding page)
with German supervisory authorities in special instances, given the danger that things are going wrong could go wrong.

Banking Secrecy

But the Luxembourg banking commissioner is more sensitive about the question of jurisdiction in routine supervision of banking units here. "We have our law and a strong tradition of banking secrecy," he said. Information about Luxembourg banks can be given out in any reasonable aggregate, he said, but not to the extent of individual accounts.

Regarding the much-publicized expressions of concern in Germany about the foreign activities of German banks, Mr. Jaans pointed out that some of the discussion had become confused.

"The general aspect of the parent bank supplying information about its subsidiaries is a German problem that needs to be solved there," Mr. Jaans said. "Some people thought that it would depend on the Luxembourg Banking Commissioner. The discussion was on the wrong rail—I helped get it started in the right direction." And so representatives from the German (parent) banks are carrying on discussions with the Federal Supervisory Office for Credit Institutions (in Berlin), the Finance Ministry and the Bundesbank about achieving greater transparency in the banks' international operations.

Certain Cooperation

Luxembourg Finance Minister Jacques Poos said the German authorities in Berlin and the Luxembourg Banking Commissioner had agreed to a "certain cooperation" which would allow the German agency to get "global figures" on the German subsidiary's operations, but through the parent bank.

"In my opinion, the fears that are sometimes expressed in German circles—that the risk in Luxembourg is greater than in Germany and that eventually these risky operations will involve the parent bank in problems—are unfounded. In my opinion, the danger doesn't exist," Mr. Poos said.

"The controls in Luxembourg—based not so much as elsewhere on

*'The controls
in Luxembourg...
are very
effective.
They have
kept us from
any great
financial
scandal.'*



—Finance Minister
Jacques Poos

legal texts and regulations, but operating on a more cooperative basis—nonetheless are very effective. They have kept us until now from any great financial scandal." This, he said, could not be claimed by neighboring countries.

"You read attacks here and there against Luxembourg, but these

aren't at such a high political level; more likely they are from certain functionaries or administrative organs," the finance minister said. "On the political side, our relationships—both with Belgium and Germany—have greatly improved in recent years, especially this year."

Pierre Werner, who authored the

bill establishing the Banking Commissioner and served for more than 20 years as Luxembourg's finance minister, cited the flexibility of the supervision as its strength. "It has to be very flexible," he said. "Nothing is definite or settled. Over the years, the place has shown its flexibility."

The 1965 law toughening supervision is given as an example of Luxembourg's adaptive ability. The law introduced the two main structural regulations governing Luxembourg today—the solvency and liquidity ratios. The solvency ratio specifies that "own resources" (paid-in capital, equity reserves, general contingency reserves, undistributed profits and, to a certain extent, subordinated loans) should constitute 3 percent of aggregate liabilities (excluding fiduciary accounts and contingent accounts). The liquidity ratio requires current assets to remain at 30 percent of liabilities. (A third ratio, that own resources must cover fixed assets, does not constitute a significant limitation for Eurobanks.)

Adaptive Ability

The solvency ratio especially accounts for the dizzying capital boosts routinely reported for Luxembourg bank subsidiaries, particularly German, as the parent bank fuels the unit's expansion.

Mr. Jaans said that the current aggregate solvency ratio is 3.8 percent, above the minimum. Moreover, the accounting to determine the ratios is conservative, he said.

"I have no big concerns," said Mr. Jaans when asked about the situation of Luxembourg banks. Pressed, he conceded that the lowering of margins on Eurocredits is "something which is annoying."

"It affects profitability," Mr. Jaans said. This brings a concentration of business, because bigger banks seek to expand their earning capacity by landing the management fee—and then margins go lower. "There's not much room left for risk in the margins," he said.

Euromarket Growth

Growth of the Euromarket will depend on the domestic monetary policy of the countries whose currencies are involved and the business policy of the banks, Mr. Jaans said—but that did not really concern him. "The less business, the less source of potential trouble," he remarked with irony.

The expansion in Luxembourg has been in line with that of the

Eurocurrency market in general, he noted. He expected, however, that new arrivals would taper off. New banks this year probably would number four or five. Last year they numbered 10.

"There won't be many more German banks coming here," he said, noting that most of the big ones were already in Luxembourg and "the small banks don't really need to come here."

Mr. Jaans added that most of the new banks are coming from Scandinavia and Italy. "There's not much point for British banks come here," he said, "but the possibility is not entirely excluded."

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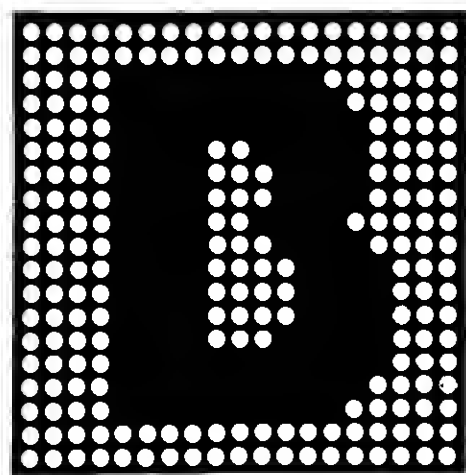
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London Is Competitive in the Battle for Eurobanking

...The sterling's nose dive in 1975-76 put the City of London on a

more competitive international footing. And Britain began to draw

more and more international banking business, not only from U.S.

banks but also from West German institutions.

"I see no optimistic reason for an American bank wanting to be in

Luxembourg," said one banker from a major U.S. concern with inter-

ests in both London and Luxembourg.

LONDON (IHT)—Ever since the 1960s, with the inception of the Eurocurrency market, two financial centers in particular have been feverishly vying for the lion's share of the new international banking business. Luxembourg and London have each fought aggressively to win foreign customers. To this day, the battle rages on, although the grounds may be shifting.

Luxembourg was, of course, a prime international venue. Centrally located, bordered by West Germany, France and Belgium, the Grand Duchy afforded easy access to continental bankers. West German and Belgian bankers, especially, found Luxembourg an attractive spot because its generous tax laws and flexible corporate licensing regulations facilitated the establishment of banking subsidiaries. As the Eurocurrency market grew, so did Luxembourg's banking roster.

Smaller U.S. banks, hoping to cash in on the lucrative Eurocurrency market and seeking the accompanying prestige, took a hard and long look at Luxembourg and London as potential locations. Most large U.S. banks already had branches in London. But for smaller banks the congested and expensive City of London posed problems. Finding suitable office space at a reasonable price was a major obstacle—the pound was a very expensive currency back in the 1960s, in contrast to its plume in 1975-76. Also, the cost of living in London was high in this inflation-prone country. Finally, London offices required a high level of staffing. Regional U.S. banks, therefore, left London to their larger brothers and opted instead for the conveniences of the Grand Duchy of Luxembourg.

As the years went by, the importance of the Eurocurrency market grew. It started in 1963 when U.S. authorities imposed the interest equalization tax and thus effectively stopped many foreigners from tapping the New York capital market. This led to the invention of the Eurocurrency and eventually to a \$500-billion pool of capital held outside the United States. However, as the Eurocurrency market grew, some U.S. banks found that they were outgrowing the small Grand Duchy.

In January, for instance, Wells Fargo Bank announced that it was shifting much of the foreign exchange and money-market activities of its Luxembourg branch to its London offices to cut costs. Wells Fargo, based in San Francisco, established its Luxembourg branch in 1969 as its first major venture in Europe, as well as the first branch of a U.S. bank in the Grand Duchy.

Wells Fargo said it moved "slowly and gradually" towards its decision to consolidate its foreign exchange, deposit trading and communications. "Our objective in consolidating such activities for Europe is to improve the coordinated support of all of Wells Fargo's facilities at the lowest effective cost. The relative cost of employee compensation was a determining factor between Luxembourg and London," said E. Alan Holroyde, senior vice president and head of the European division of Wells Fargo.

The main reason for shrinking Luxembourg operations, U.S. bankers in London explain, is the rising salary costs, which include legislated increases due to indexing, plus merit increases and things like the 13th month's extra pay each year. "The past cost benefit of Luxembourg has been offset," Mr. Sherman of Continental Bank says. "The biggest problem is the exchange rate."

The dollar's decline against the Luxembourg franc has contributed to bankers' decisions to withdraw from the Grand Duchy. While bank costs in Luxembourg are paid in francs, much of the revenues are in dollars, reflecting banking activity in the Eurodollar market. Last

year, the Luxembourg franc, which is linked with the buoyant deutsche mark in the European joint currency float, or "snake," rose about 9 percent against the dollar. Thus, banks, particularly U.S. banks, in Luxembourg have faced a cost squeeze due to the dollar's extensive drop.

'Thin' Market

Currency problems are further compounded by Luxembourg's split-currency market. Like Belgium, the Grand Duchy has a market for foreign exchange for commercial transactions supported by customs documents for items like steel. This market is kept stable within the snake by periodic central bank intervention. However, the second tier—the financial foreign exchange market—gets no such assistance from the monetary authorities. And dealers complain that this market that they are forced to deal in is "thin" and can impose further difficulties in international dealings.

One other problem that banks face in Luxembourg, insiders say, is staffing. The size of the country—with about 350,000 inhabitants, of which about one-quarter are foreigners—means the pool of potential employees is tiny. Therefore, concerns are virtually forced to import people—a costly action that entails the further problems of personal adjustment.

"It's not just costs. It's life style as well" which presents itself as a problem in running a Luxembourg subsidiary, Mr. Sherman of Continental remarked. "It's difficult to get anybody to go live there" and the available supply of local banking talent is limited, he said.

Nose Dive

Meanwhile, the sterling's nose dive in 1975-76 put the City of London on a more competitive international footing. And Britain began to draw more and more international banking business, not only from U.S. banks but also from West German institutions.

"I see no optimistic reason for an American bank wanting to be in Luxembourg," said one banker from a major U.S. concern with interests in both London and Luxembourg.

"For regional U.S. banks, Luxembourg holds no advantages over London," notes Mr. Sherman of Continental. "I don't think it will ever lose its usefulness to other banks in Belgium and Germany because of its tax advantages. But it isn't a real challenger to most financial centers—namely a place where things get done."

A Wells Fargo spokesman said that its consolidation plans represented "not so much a moving away from Luxembourg but a development in London."

Another Branch

Bankers explain that London's growing role as an international center is making its activities boom as a financing center—the more banks that open in London, the more new banks that are attracted. "If you're in Europe, you've got to be in London," one banker commented.

Wells Fargo, for example, has had a wholly-owned merchant banking subsidiary in London since 1972. But it was not until last October that the Californian bank decided to open another branch, devoted to foreign exchange and deposit trading.

Improvements in communications—one item mentioned by Wells Fargo—have meant that banks in the Eurocurrency market can consolidate their operations into one center, doing away with the need for a costly network of branches across Europe. With foreign exchange and deposit trading primarily transacted by telephone and wire contact, Wells Fargo said that its move from Luxembourg should have "little effect" on customer relationships.

London, bankers here argue, does not present the same kind of problems that Luxembourg often does in terms of finding trained staff easily, relocating employees from the United States and offering a lifestyle to which U.S. employees have become accustomed.

Still, bankers with interests in Luxembourg are not despairing. As one banker put it: "European banks are still moving into Luxembourg. But it really depends on the structure of the parent company as to what they want to do. Luxembourg has its weaknesses and its strengths. Still to some—mainly European banks—there is a large tax advantage to be gained from establishing in Luxembourg."

Deutsche Marks

Partly because of this, the Grand Duchy has specialized in the Eurocurrency market for deutsche marks. The West German authorities further facilitated Luxembourg's involvement in dealing in external deutsche-mark funds by cracking down on capital inflows. They implemented a 25-percent tax on non-resident holdings in mark-denominated bonds, effectively encouraging a capital market in foreign holdings of deutsche marks. Moreover, years of high liquidity and strict Bundesbank controls have seen West German institutions search elsewhere for places to utilize their resources.

"Luxembourg had some particular advantages," Mr. Sherman of Continental said. "It will always have postbox holding companies. But if it weren't for German banks, they wouldn't have been put into that big league."

Until now, Luxembourg has been their first choice, with about 20 West German banks operating in the country. But bankers in London said they perceive something of a shift in that approach. Of late, several large West German banking institutions have decided to set up shop in London.

"Significantly," remarked Mr. Sherman, "German banks are opening branches in London for the first time. That tells you more about the direction for Luxembourg than the development of new 'offshore' centers like the Bahamas."

London experts say that West German banks are overcoming the language problem—one reason

they gave for Luxembourg's strong attraction to German concerns was the common language. In addition, transportation poses less of an inconvenience than it used to, they say. In fact, sometimes a trip from West Germany to Luxembourg can take longer than a flight from Frankfurt to London.

Keen Demand

The strength of the deutsche mark, particularly over the course of the past turbulent year on the foreign-exchange market, has made a keen demand for DM-denominated paper. Eurobond experts think that demand of this kind will continue to rise in the future, which will probably give Luxembourg a built-in advantage in the race with London for Eurobond business. However, insiders here do not discount the possibility that London, with the help of West German units here, may expand into the Eurodeutsche-mark field as time goes on.

Even if Eurobond trading in the deutsche mark grows, however, London and U.S. bankers say they do not expect to be able to expand their own share of the market in Luxembourg. In fact, Britain's major clearing banks—Barclays, Lloyds, Midland and National Westminster—do not even have subsidiary companies in the Grand Duchy. Any upsurge in Eurodeutsche-mark business is likely to benefit mostly the German banks here. "Poorly efficient U.S. banks have been beaten out by the Germans in the Deutsche-mark boom," one observer bluntly remarked.

One area with which both Luxembourg and London have faced sharp competition recently has been the banking operations—sometimes consisting of only one clerk to record transactions—are being set up there, mainly to cater to U.S. investors. It, too, has flexible banking rules and affords Americans a much-desired "tax haven."

The Bahamas

"Luxembourg really isn't in competition with U.S. banks, because they go to the Bahamas. The Bahamas is becoming more of a competitor with London. Loans are being booked now in the Bahamas that might in past years have gone to London," one banker noted.

"Luxembourg," Continental's Mr. Sherman said, "probably offers as many tax advantages as the Bahamas and other places. The question is really one of cost and convenience."

The Bahamas, it was also pointed out, deals mainly in Eurodollars—thus setting itself up in direct competition with the established market in London, as opposed to Luxembourg.

One area in which Luxembourg may have a bright future is portfolio management, experts forecast. Portfolio management entails the handling of private foreign accounts, often with discretionary powers, to invest in securities—generally in an attempt at tax avoidance.

"Luxembourg's secrecy laws and practices—and it may be more practice than law—make it very much like Switzerland, and portfolio management becomes quite easy," one banker explained.

Nonetheless, many London bankers said they expect Luxembourg's role in the future to slowly shrink. "I suspect," said Mr. Sherman of Continental, "some regional U.S. banks will probably continue to leave either for London or to go back home." Part of the reason, he noted, is the likelihood that the dollar will persist in being weak against the deutsche mark and the Luxembourg franc, which will mean continuing high costs for subsidiaries functioning there.

Besides, Mr. Sherman added, "London has too many advantages for Luxembourg to compete on an equal footing. There is very little advantage of going to Luxembourg."

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Kredite	955	nach Gewinnverwendung	72
Bankforderungen	895	Nettogewinn (1976/77)	12
Wertpapiere	373	Dividendenzahlung	10%
Kundeneinlagen	243		

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